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ABSTRACT

This document presents statistics on black income, employment, and poverty in 1987. The black poverty rate rose significantly in 1987, from 31.1 percent to 33.1 percent; the white poverty rate fell from 11 percent to 10.5 percent. The poverty rate for black children under age 18 reached 45.6 percent; for those under age six the poverty rate reached 49 percent. Black female-headed families are four times more likely to be poor as black married-couple families. Increases in poverty have been especially sharp among young families, among those without a college education, and among blacks in the Midwest. The black poverty rate has been higher under the Reagan Administration than under its predecessors. Not only have black poverty rates risen, but those black households that are poor have fallen deeper into poverty. The median income of the black family was stagnant in 1987, while that of the white family rose. Income disparities between black and white families have grown since the late 1970s in all regions of the country except the West, but most acutely in the Midwest. In 1987 the gap between upper and lower income families in the nation reached its widest point in 40 years; this is true also within the black community. While black unemployment has declined markedly during the current economic recovery, it has fallen less than has white unemployment, and the gap between black and white unemployment rates has widened. The federal budget reductions in programs for people with low incomes disproportionately affected blacks, and are probably linked to the increases in black poverty, especially among families with children. Tables and figures illustrate the data. An appendix reviews the declining impact of government benefit programs in removing black families from poverty. (BJV)

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STILL FAR FROM THE DREAM:

Recent Developments in Black Income, Employment and Poverty

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Recent Developments in Black Income, Employment and Poverty

CENTER ON BUDGET AND POLICY PRIORITIES
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is a nonpartisan, nonprofit research organization that studies government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

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STILL FAR FROM THE DREAM:

Recent Developments in Black Income, Employment and Poverty

Highlights

Poverty Rates

The poverty rate for black Americans rose significantly in 1987, despite continued growth in the U.S. economy and a decline in the poverty rate for white Americans. Poverty rates are now higher for blacks than they were in most years in the 1970s.

The black poverty rate rose from 31.1 percent in 1986 to 33.1 percent in 1987, as the number of blacks who are poor climbed by 700,000. One of every three blacks lived in poverty in 1987.

- By contrast, the white poverty rate fell from 11 percent to 10.5 percent.

Poverty rates increased in 1987 for many groups of blacks: children, the elderly, young families, married-couple families, and female-headed families. Poverty rates are now especially high for black children.

- The poverty rate for black children under 18 reached 45.6 percent in 1987 -- a rate higher than in any year in the late 1960s or the 1970s.

- For young black children -- those under six -- the poverty rate climbed from 45.6 percent in 1986 to 49 percent in 1987. One of every two young black children was poor last year.

Poverty rates for both blacks and whites are higher now than they were at a comparable stage of the economic recovery of the late 1970s.

- In 1987, both the national unemployment rate and the black unemployment rate were at about the same level as in 1978.

- Yet poverty rates were significantly higher in 1987 than they had been in 1978. Two million more blacks (and eight million more Americans of all races) were poor in 1987 than in 1978.

Black female-headed families are four times as likely to be poor as black married-couple families. Nevertheless, the increases in the black poverty rate since the late 1970s do not appear to be due primarily to increases in the number of female-headed families.

- The percentage of the black poor living in female-headed families was slightly lower in 1987 than in 1978. Most of the increase in black female-headed family formation occurred before 1978.

- Since 1978, poverty rates have risen as rapidly among black married couple families as among black female-headed families.

Increases in poverty in recent years have been especially sharp among young families.

- Sharp increases in poverty have occurred among families headed by a person aged 25 to 34. The poverty rate for this group was below 30 percent as recently as 1979; last year it stood at 39.4 percent and was higher than it had been even during the deep recession of the early 1980s. Two of every five black families headed by a person aged 25 to 34 fell below the poverty line last year.

- The poverty rate has also risen for families headed by a person aged 15 to 24. The poverty rate for these families was 56.7 percent in 1987, well above its 1978 level.

The poverty rate has risen dramatically among those without a college education.

- For those black household heads aged 25 and over who have one or more years of college, poverty rates have declined since the late 1970s. The poverty rate for this group was 11.2 percent last year.

- By contrast, the poverty rate for black household heads aged 25 and over who graduated from high school but did not attend college soared from 18.7 percent in 1978 to 27.8 percent last year.

  The poverty rate for black high school graduates is now four times as high as the poverty rate for white high school graduates.

- Poverty rates also rose for blacks lacking a high school diploma, reaching 39.4 percent in 1987.

Particularly sharp increases in poverty have occurred among blacks in the Midwest.

- The poverty rate for blacks in the Midwest was 36.6 percent in 1987. It increased by half in just nine years, rising from 24.8 percent in 1978 to its current level.

- Until 1982, blacks in the South had a higher poverty rate than blacks in any other region. Since 1982, the highest black poverty rate has been in the Midwest.

The black poverty rate has been higher under the Reagan administration than under its predecessors. The black poverty rate averaged 33.5 percent during the years of the Reagan administration's tenure (1981-1987), while averaging 31.4 percent during the Carter years (1977-1980) and 32 percent during the administrations of Presidents Nixon and Ford (1969-1976).

Not only have black poverty rates risen, but those black households that are poor have fallen deeper into poverty.

- The number of blacks who fall into the category that might be called the "poorest of the poor" -- those with incomes below *half* the poverty line (below $4,528 for a family of three in 1987) -- has increased 69 percent since 1978.

- In 1978, one of every three poor blacks fell below half the poverty line. Now, 45 percent of all poor blacks -- nearly half -- fall below it.

- Half of all blacks in the "poorest of the poor" category are children.

- In both 1986 and 1987, the average poor black family fell more than $5,000 below the poverty line. This was further below the poverty line than in any other year since the Census Bureau began collecting these data in 1967.

Income

The income of the typical (or median) black family was stagnant in 1987, while the income of the typical white family rose. Black family incomes fell further below white family incomes in 1987 than in any year in the 1970s.

- The income of the typical white family rose last year, from $31,935 in 1986 to $32,274 in 1987, after adjustment for inflation. However, the income of the typical black family failed to rise. (It actually declined slightly to $18,098, although the decline was not statistically significant.)

- The income of the typical black family equalled just 56.1 percent of the income of the typical white family last year. This was a lower percentage than in any year from 1967 (when these data first began being collected) to 1981.

- The differing performance of black and white family incomes from 1986 to 1987 is primarily due to the fact that white married-couple families did significantly better last year than black married-couple families. The income gap between the typical black married-coupled family and its white counterpart widened by more than $1,000 last year.

  The income of the typical white married couple rose by $648 last year, while the income of the typical black married-couple family fell by $372, although the decline was not statistically significant.

The same pattern holds when incomes for 1987 are compared to incomes for 1978, a year when economic conditions were similar to those in 1987.

- White median family income was slightly ($276) higher in 1987 than in 1978; black median family income was $854 lower.

- The income gap between blacks and whites widened among both married-couple and female-headed families. While the typical white married-couple family had nearly $1,100 more in income in 1987 than in 1978, the typical black married-couple family had $540 less. In 1978, the income of the typical black married-couple family equalled 81 percent of the income of its white counterpart. By 1987, the ratio had slipped to 77 percent.

  Among female-headed families, incomes were lower in 1987 than in 1978 for both blacks and whites, but they declined more for blacks.

- Throughout this period, the income of the typical black married couple family ($27,722 in 1987) continued to be nearly three times as high as the income of the typical black female-headed family ($9,710 in 1987).

Income disparities between black and white families have grown since the late 1970s in all regions of the country except the West. The black-white income gap widened most in the Midwest.

- The income of the typical black family in the Midwest was nearly $4,700 lower in 1987 than in the late 1970s, while the income of the typical white family was $700 lower. Incomes for black men in the Midwest fell sharply during this period.

- The typical black Midwestern family had 65 percent of the income of its white counterpart in the late 1970s. By 1987, this figure had fallen to 52 percent.

One factor contributing to the growing income disparity between blacks and whites has been the growing income gap between upper and lower income families in the nation as a whole. In 1987, this gap reached its widest point in 40 years.

- The poorest two-fifths of American families received a smaller share of the national family income in 1986 and 1987 than in any other year since the Census Bureau first began collecting these data in 1947. Meanwhile, the richest two-fifths of American families received a larger share of the national income in 1987 than in any year since 1947.

- Blacks are overrepresented among lower income American families and underrepresented among wealthy families, with three times as many black families falling into the bottom two-fifths of the population as into the top two-fifths. As a result, income disparities between blacks and whites tend to grow when the overall income gap widens between rich and poor.

Income gaps have also been widening within the black community itself. In fact, the gap between rich and poor has been growing more rapidly among blacks than among the nation as a whole. Poor black families have been growing poorer, while upper income black families have been growing more affluent.

- The average income of the poorest fifth of black families plunged 24 percent between 1978 and 1987, falling from $5,022 in 1978 to $3,837 in 1987, after adjusting for inflation.

- The average income of the middle fifth of black families also fell by more than $1,000 from 1978 to 1987.

- During the same period, the average income of families in the top fifth of black families rose more than $3,000, while the average income of those in the top five percent of black families rose by $9,000.

The income gap between lower and upper income black families is now wider than at any other point on record. Income inequality is now significantly greater among black families than among whites.

- In 1987, the poorest fifth of all black families received only 3.3 percent of all black family income nationwide, the lowest level recorded since the Census Bureau began collecting these data in 1974. By contrast, the poorest fifth of white families receives 5.1 percent of the white national family income.

- Similarly, middle income black families receive a smaller share of the black national family income than middle income white families receive of the white family income.

- By contrast, the top fifth of black families received a record high 47.4 percent of black family income last year, which is significantly greater than the 42.9 percent share of white family income that goes to the top fifth of white families. However, upper income whites remain much wealthier than upper income blacks.

Employment, Unemployment and Wages

Developments in this area have been mixed for blacks in the 1980s. On the positive side:

- The black unemployment rate averaged 13 percent in 1987, lower than in any other year in the 1980s, although higher than in most years of the 1970s. In 1988, the black unemployment rate is expected to average slightly below 12 percent, which would be its lowest level since 1974.

- The proportion of the total black adult population that is employed is at the highest level recorded since these data were first collected in 1972.

- Some 2.5 million more blacks were employed in July 1988 than in July 1980.

On the other hand, while black unemployment has declined markedly during the current economic recovery, it has fallen less than has white unemployment, and the gap between black and white unemployment rates has widened.

- In 1980, the black unemployment rate was 2.27 times the white rate. By 1987, it was 2.45 times the white rate, and for the first eight months of 1988, it was 2.57 times the white rate.

- If the ratio for the first eight months of 1988 holds for the year as a whole, it will represent the highest black-to-white unemployment differential ever recorded. (These data go back to 1972.)

- While the number of blacks who are employed increased at an annual average rate of 2.9 percent from 1980 to 1988, this was slightly less than the average annual black employment increase of 3.1 percent from 1976 to 1980.

There are also other areas of concern in the black employment picture.

- Unemployment rates for black men remain high for this stage of an economic recovery. Although both the national unemployment rate and the black unemployment rate were nearly the same in 1987 as in 1978, the unemployment rate for black men was higher in 1987 (at 12.7 percent) than in 1978 (when it was 11.8 percent).

- The black teen-age unemployment rate has dropped substantially in recent years; yet at 32.4 percent in August 1988, it remains high. The decline in the teen-age unemployment rate is primarily due to demographic factors, such as the sharp drop in the 1980s in the number of youth in the labor force (which resulted from the decline in U.S. birth rates after the end of the "baby boom"). With smaller numbers of young workers entering the labor force than in the past, it has been easier for the economy to generate jobs for these workers.

- Blacks remain heavily overrepresented among the unemployed, particularly among the long-term unemployed (those out of work more than six months and still looking for a job). In 1987, blacks comprised 11 percent of the overall U.S. labor force, 23 percent of the unemployed workers, and 27 percent of the long-term unemployed.

It may seem surprising that while black unemployment rates in 1987 were back to 1978 levels, black income in 1987 was lower than in 1978 (and black poverty was higher). One reason for these seemingly contradictory developments is that the improvement in black unemployment rates has not been matched by improvements in earnings levels. Wage levels for black workers have stagnated in the 1980s and are now lower than in the 1970s.

- The earnings of the typical full-time black worker were $315 a week in 1987, virtually the same as in 1980 and lower than in any year from 1972 to 1979, after adjusting for inflation.

- Earnings have fallen significantly for black men who work full-time. The earnings of the typical full-time black male worker were 10 percent lower in 1987 than in 1978, after adjusting for inflation.

- A recent report by the Children's Defense Fund and the Center for Labor Market Studies found that young black workers who are heads of families suffered even more severe earnings declines. Median annual earnings for blacks under age 30 who had families fell by 32 percent from 1979 to 1986 and by half from 1973 to 1986.

Federal Budget Policy and Blacks

Black income levels and poverty rates were also affected by the budget reductions of the 1980s. These budget cuts took a toll on programs for households with low incomes, thereby having an impact on many blacks. In the early 1980s, when the principal federal budget reductions were made, the sharpest cuts were concentrated in the low income programs.

- Total appropriations for low income programs that are not entitlements fell 54 percent from fiscal year 1981 to fiscal year 1988, after adjustment for inflation. This represented a drop of $45 billion below the FY 1981 levels for these programs. This group of programs includes various job training, health and social service, and housing programs, among others. (If subsidized housing is excluded, total appropriations for low income non-entitlement programs declined 29 percent from fiscal 1981 to 1988, after adjusting for inflation.)

- Entitlement programs such as the food stamp program, the portion of the Aid to Families with Dependent Children program that focuses on working poor families, and the unemployment insurance program were also reduced significantly.

- Federal spending for food stamp benefits fell 15 percent from fiscal 1981 to fiscal 1987, after adjusting for inflation. The number of Americans living below the poverty line was 3.2 million greater in 1987 than in 1980, but the number of people receiving food stamps was 900,000 fewer. Some 36 percent of food stamp households are black.

- The Aid to Families with Dependent Children program (AFDC) has been marked by reductions at both federal and state levels. Federal budget cuts in AFDC in 1981 eliminated more than half of the low income working families with children who had been receiving benefits. In addition, states have failed to keep AFDC benefits with inflation, so that benefits for a family without other income are now 21 percent lower in the typical state than in 1979, and 33 percent lower than in 1970, after adjusting for inflation. More than 40 percent of AFDC families are black

- In 1977, there were 78 children receiving AFDC for every 100 children living in poverty. In 1987, there were 58 children receiving AFDC for every 100 children living in poverty.

- Federal and state budget cuts have also affected the unemployment insurance program. In 1987, just 31.5 percent of the unemployed received unemployment insurance benefits in an average month. This represented the lowest coverage rate on record.

- For blacks, unemployment insurance coverage rates are even lower. Only about 21 percent of all unemployed blacks -- or about one in five -- received unemployment insurance in an average month in 1987.

The budget reductions in programs for people with low incomes disproportionately affected blacks.

- Blacks are three times more likely than whites to be poor.

- As a result, blacks are about three times more likely than the general population to be affected by reductions in programs for people with low incomes, a fact corroborated by a study at the Urban Institute which found that the 1981 federal budget cuts cost the average black family approximately three times as much in lost income and benefits as they cost the average white family.

Recent data issued by the Census Bureau provide strong evidence that links the budget reductions to increases in black poverty, especially among families with children. The data show that government benefit programs now lift a substantially smaller proportion of black families out of poverty than they did in 1979 (the first year for which these data are available).

- In 1979, one out of every six black families with children that would have been poor without government benefits was lifted out of poverty by these benefits. In 1987, only one of every 12 such families was lifted out of poverty by government benefits.

- The Census data indicate that if the benefit programs had as much impact today in removing families from poverty as they did in 1979, some 38 percent of the increase in poverty since 1979 among black families with children would not have occurred.

I. TRENDS IN BLACK POVERTY

New data from the U.S. Bureau of the Census portray a picture of worsening poverty in black America. The Census Bureau's latest annual report[1] on poverty and income in the United States shows that one of every three black Americans -- 33.1 percent -- lived in poverty in 1987.

This represented a significant increase over the black poverty rate for 1986. Yet while the black poverty rate rose from 1986 to 1987, the white poverty rate -- already much lower than the black rate -- declined still further.

No single group in the black population accounted for this increase in the black poverty rate; the increase was widespread among many groups. Poverty rose among black children, the black elderly, young black families, and among both black families headed by married couples and those headed by single women.

Poverty rose to especially high levels among young black children. Some 49 percent of all black children under six -- or one in every two -- lived in poverty last year.

The increases in black poverty are particularly disturbing because the nation is in the midst of an economic recovery. Normally, poverty rates fall during economic upturns as the unemployment rate drops. Yet poverty rates for blacks -- and for whites as well -- were considerably higher in 1987 than they had been in 1978, at a comparable stage of the economic recovery of the late 1970s.

1. U.S. Department of Commerce, Bureau of the Census, *Money Income and Poverty Status in the United States: 1987*, August 31, 1988.

Although the unemployment rate in 1987 was nearly the same as in 1978, poverty was substantially higher. Two million more blacks (and eight million more Americans of all races) were poor in 1987 than in 1978.

The black poverty rate has been especially high during the Reagan years. Under the current administration (from 1981 to 1987), the average black poverty rate has been higher than it was in the Carter years or during the administrations of Presidents Nixon and Ford.

Not only are there more poor blacks than a decade ago, but the black poor have become poorer. The average poor black family in 1987 had an income more than $5,000 below the poverty line. In 1986 and 1987, the average poor black family fell further below the poverty line than in any other year since 1967.

In addition, those black Americans who might be termed the "poorest of the poor" -- those with incomes below *half* the poverty line -- now make up close to half of the black poor. This is the largest proportion of the black poor to fall into this category for any year in more than a decade, except for 1986.

Recent Trends in Black Poverty

The black poverty rate was at its lowest point in recent years in 1978, when 30.6 percent of black Americans were poor. (See Figure 1 on following page.)

After 1978, the rate began to rise, reaching 35.7 percent in 1983, when unemployment was extremely high. The black poverty rate was higher in 1983 than in any year since 1967.

As the economic recovery took hold and unemployment fell in 1984 and 1985, the black poverty rate declined. But in 1986, the rate remained essentially unchanged and in 1987, while the white poverty rate declined further, the black poverty rate rose again.

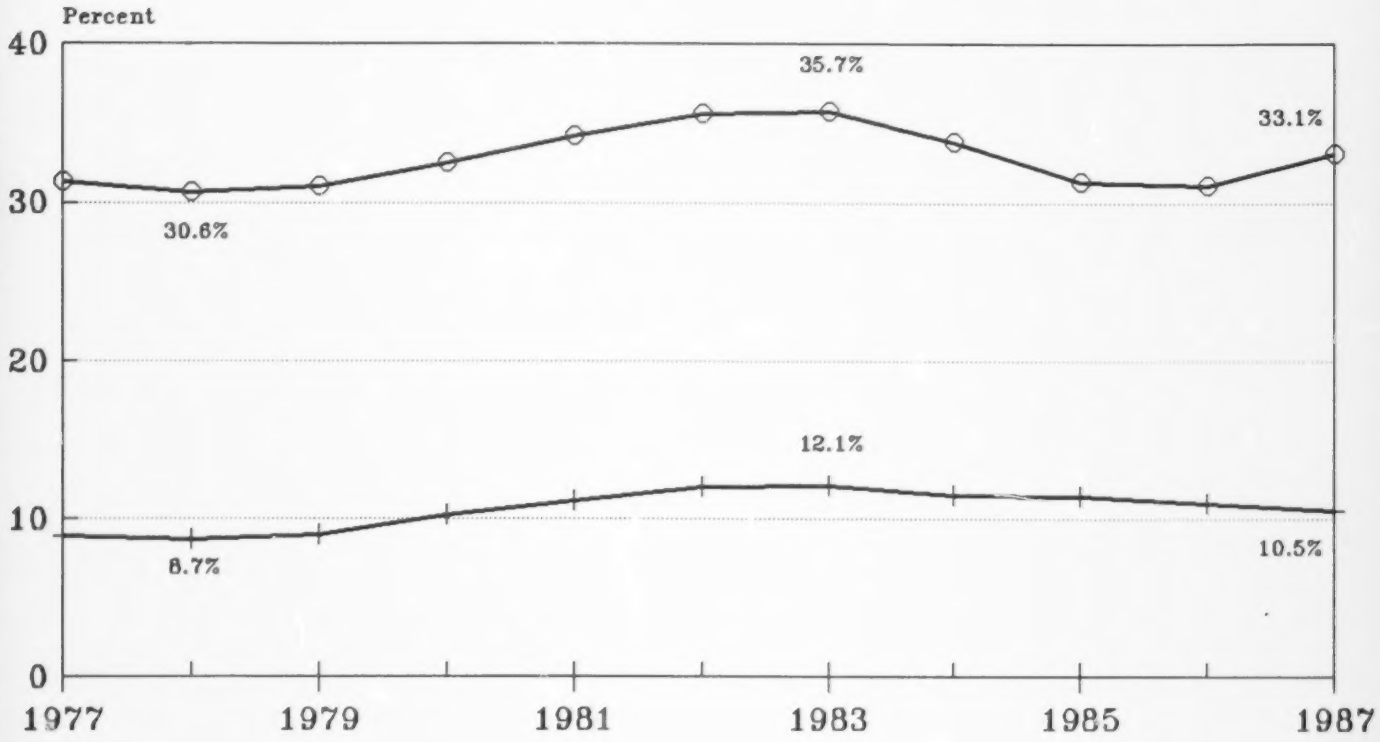
Despite continued economic recovery, the black poverty rate increased two full percentage points from 1986 to 1987, erasing nearly half of the progress that had been made in reducing the rate in 1984 and 1985 and leaving the rate at a higher level than during most of the 1970s.

- In 1987, some 33.1 percent of all black Americans -- 9,683,000 people -- lived below the poverty line. (The poverty line was $9,056 for a family of three in 1987.)

- This represented an increase of 700,000 in the number of poor blacks over 1986, when the black poverty rate was 31.1 percent.

- By contrast, the white poverty rate declined, from 11 percent in 1986 to 10.5 percent in 1987.

Figure 1
Poverty Rates by Race



Source: Bureau of the Census

- The black poverty rate is now significantly higher than it was in 1978, despite the fact that the black unemployment rate, as well as the national unemployment rate, was at about the same level in 1987 as in 1978. In 1978, some 30.6 percent of blacks -- or 7.6 million people -- were poor. In 1987, 9.7 million black Americans -- two million more --were poor.

- The black poverty rate has averaged 33.5 percent during the years of the Reagan administration (1981-87), while averaging 31.4 percent during the Carter years (1976-80) and 32 percent during the Nixon/Ford years (1969-76). Had the black poverty rate been at the same level in 1987 as its average levels during the Carter and Nixon-Ford years, the number of blacks who are poor would have been 330,000 to 500,000 lower last year.

- It should be noted that poverty rates for whites and Hispanics also have risen substantially since the late 1970s. Both the white and the Hispanic poverty rates were higher in 1987 than in any year in the 1970s[2] and substantially above 1978 levels.

- Nevertheless, blacks have been more likely than whites to be added to the ranks of the poor in the 1980s. Blacks constitute 12 percent, or one-eighth, of the overall population, but they comprise 34 percent, or one-third, of those added to the ranks of the poor since 1980. Blacks were nearly three times as likely as whites to be added to the poverty rolls in this decade.

Black Married and Female-Headed Families

As in previous years, poverty rates in 1987 were far higher for black female-headed families than for black married-couple families. Some 51.8 percent of black female-headed families were poor, compared to 12.3 percent of black married couple families. Thus, black female-headed families were more than four times as likely to be poor as were black married-couple families.

Yet the increases in black poverty since the late 1970s do *not* appear to be due primarily to increases in the number of black female-headed families or to increases in poverty rates for these families. The growth in poverty occurred as much among black married-couple families as among female-headed families.

- In 1978, some 62 percent of the black poor were part of female-headed families. In 1987, a smaller percentage of the black poor -- 60 percent -- were in female-headed families.

  Between 1978 and 1987, poverty rates rose as sharply for black married-couple families as they did for black female-headed families.

  The large increases in the numbers of black families headed by a woman occurred *before* 1978. In the nine years from 1978 to 1987, the proportion of

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2. Data on Hispanic poverty are available only back to 1973.

black families headed by a woman rose from 40.5 percent to 42.8 percent. This represented much slower growth than in the previous nine years, when the proportion of black families headed by a woman grew from 28.3 percent to 40.5 percent.

In addition to increases in the proportion of families headed by a woman, other factors contributed significantly to the increase in black poverty rates between 1978 and 1987. There is strong evidence that declining or stagnating wage levels and reductions by both federal and state governments in assistance for the poor and the unemployed played important roles. These issues are explored in Chapters III and IV of this report.

Black Children in Poverty

Poverty among black children reached unusually high levels in 1987. Nearly half of all black children now live in poverty.

- The poverty rate among black children was 45.6 percent in 1987 -- a higher rate than in any year in the 1970s or the late 1960s.[3]

- The number of poor black children climbed by nearly 300,000 from 1986 to 1987, to a total of 4.4 million.

- Poverty rates are highest for black children who are youngest -- those under age six. The poverty rate for black children under six rose from 45.6 percent in 1986 to 49 percent in 1987. This level is well above the 42.5 percent poverty rate for these children in 1978.

As in prior years, the highest poverty rates among black children are for those living in female-headed families. Some 68.3 percent of black children in female-headed families -- more than two of every three -- were poor in 1987. The poverty rate for these children stood at 66.4 percent in 1978.

Poverty Among Young Black Families

A major factor associated with the growth of black child poverty has been the large increases in poverty rates among young families. Young black families, as well as young white and Hispanic families, have experienced sharp increases in poverty rates since the late 1970s. (See Figure 2 on following page.)

- In 1978, the poverty rate for black families headed by a person aged 15 to 24 was 49 percent, already well above the poverty rates for families headed by older blacks. By 1983, the rate for these young families had soared to 66.4 percent, and while it has dropped since 1983, it is now 56.7 percent -- still well above the 1978 level.

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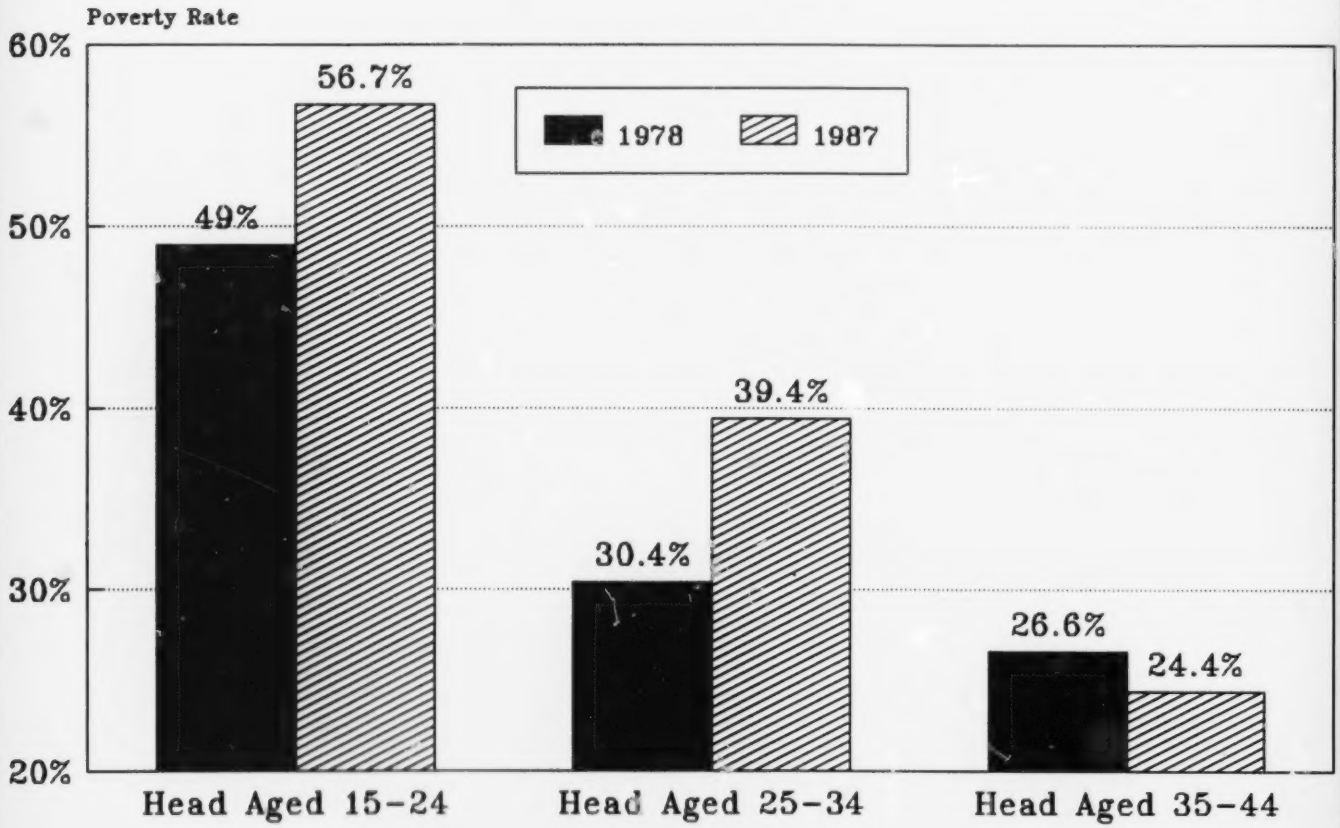
3. The figures used here are for black children in families and unrelated subfamilies.

Figure 2

Black Family Poverty Rates

(By Age of Head of Household)



Source: Bureau of the Census

- Poverty rates for black families headed by a person aged 25 to 34 rose even more rapidly -- from below 30 percent as recently as 1979 to 39.4 percent in 1987. The poverty rate for this group of black families is now higher than it was during the recession of the early 1980s. Two of every five black families in this age group now are poor.

- Between 1986 and 1987, black families headed by a person 25 to 34 experienced an especially large increase in poverty, as their poverty rate climbed from 34.4 percent to 39.4 percent.

Increases in Poverty Concentrated Among Blacks Without A College Education

Another factor associated with the increases in black poverty rates is the declining employment prospects and wage levels of people who have no more than a high school education. Poverty rates among blacks who have attended college have declined a little over the past decade, while poverty rates for those with a high school education or less have increased markedly. The sharpest poverty increases have occurred among those blacks who have a high school diploma but did not attend college. (See Figure 3 on following page.)

- For black household heads aged 25 and over with one or more years of college, the poverty rate was 11.2 percent in 1987 -- below the poverty rate of 12.6 percent in 1978.

- By contrast, black household heads aged 25 and over who graduated from high school but did not attend college had a poverty rate of 27.8 percent in 1987 -- more than twice as high as the rate for those who had attended college.

  Moreover, the poverty rate for black high school graduates climbed sharply during this period -- 18.7 percent in 1978 to its current 27.8 percent level.

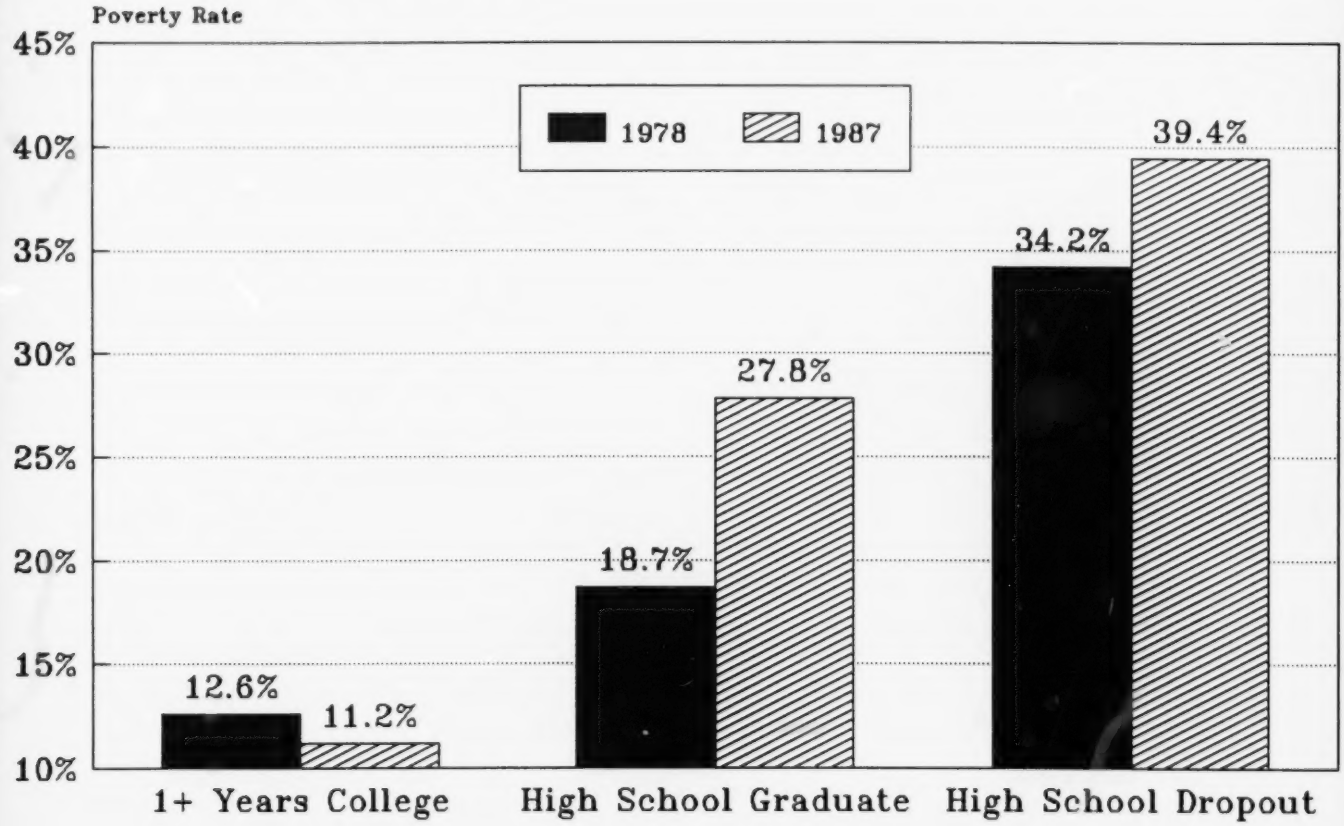
- Poverty rates for black high school dropouts have risen as well, although not as sharply as for high school graduates. The poverty rate for black household heads aged 25 and over who did not graduate from high school was 39.4 percent in 1987, up from 34.2 percent in 1978.

- During this period, the difference in poverty rates between whites and blacks who had a high school diploma but no college education widened. In 1978, the poverty rate for black high school graduates aged 25 and over who headed households was slightly less than 3.5 times the rate for their white

Figure 3

Black Poverty by Education Level

(Head of Household Aged 25+)



Source: Bureau of the Census

counterparts. In 1987, the poverty rate for these black high school graduates was four times that for white graduates.[4]

These data suggest that as the labor market changes and places increasing emphasis on skills, having a high school diploma is becoming less likely to lead to a job that can lift a black household out of poverty. More than a quarter of all black household heads aged 25 and over who have a high school diploma, but lack a college education, now live below the poverty line.

Lack of Progress in Reducing Poverty Among the Black Elderly

The poverty rate for the black elderly remains high. The poverty rate for black Americans aged 65 and over was 33.9 percent in 1987 -- a third of all black elderly people were poor. This was identical to the black elderly poverty rate in 1978.

In 1986, the black elderly poverty rate was below its 1978 level. However, the rate rose from 31 percent in 1986 to 33.9 percent in 1987, returning to the 1978 level.

The lack of overall progress in reducing poverty among the black elderly since 1978 stands in contrast to the marked reduction in black elderly poverty that occurred in the two decades before 1978 and to the continued (although smaller) reductions in white elderly poverty since 1978.

- Between 1959 and 1978, the poverty rate for the black elderly was cut nearly in half, from 62.5 percent to 33.9 percent. These large improvements paralleled similar improvements in the white poverty rate and were primarily due to the extension of Social Security to many more of the black elderly, to increases in Social Security benefit levels, and to the creation of the Supplemental Security Income (SSI) program for the elderly and disabled poor.

- From 1978 to 1987, the white elderly poverty rate continued to decline, but no further progress was made in reducing the black elderly poverty rate. The poverty rate for the white elderly in 1987 was 10.1 percent, significantly below its 1978 level of 12.1 percent level.

- As a result, the gap between the poverty rates for the black and white elderly has widened. In 1978, a black elderly person was 2.8 times more likely to be poor than a white elderly person. By 1987, a black elderly person was 3.4 times more likely to live in poverty than his or her white counterpart.

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4. A similar sharp increase in poverty rates is found if just those high school graduates who are young adults are examined. The poverty rate for all black high school graduates aged 22-34 rose from 18.8 percent in 1978 to 25.4 percent in 1986. The 1987 poverty rate for this group has not yet been published, but is likely to be higher than the 1986 rate.

Sharp Increases in Black Poverty in the Midwest

Particularly sharp poverty increases have occurred in recent years among blacks in the Midwest. Until the recession of the early 1980s, blacks in the South had a higher poverty rate than blacks in any other regions.[5] Since 1982, however, blacks in the Midwest have had the highest poverty rate.

- The poverty rate for blacks in the Midwest reached 36.6 percent in 1987. It has risen by half since 1978, when it stood at 24.8 percent.

- The number of poor blacks in the Midwest climbed from less than 1.3 million to more than 2 million during this nine-year period, an increase of 62 percent.

- While the poverty rate was rising sharply over this period for blacks in the Midwest, it remained relatively level for blacks in the South. The poverty rate for blacks in the South was 34.5 percent in 1987, close to the 34.1 percent level for 1978.

- The poverty rate for whites in the Midwest rose over this period as well, but by a considerably smaller margin than for blacks. The rate for whites increased from 7.4 percent in 1978 to 9.9 percent in 1987. The number of poor whites in the Midwest rose 36 percent during this period.

- Poverty rates are lower for blacks in the Northeast and West than in the Midwest and South. The poverty rate for blacks in the Northeast was 28.8 percent last year. In the West, it was 24.3 percent.

Black Poverty Grows More Severe

Not only have black poverty rates risen, but those black households that are poor have fallen deeper into poverty. Perhaps the most disturbing poverty data relating to black Americans are the data which indicate that the black poor are, on average, growing poorer.

Specifically, these data show that an increasing number of blacks are falling into the category that might be termed "the poorest of the poor" -- those with incomes below *half* of the poverty line. In 1987, having an income below half the poverty line meant having an income of less than $4,528 for a family of three.[6]

- In 1978, fewer than 2.6 million blacks lived below half the poverty line. In 1987, some 4.3 million blacks did, an increase of 69 percent in just nine years.

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5. There are four regions, as designated by the Census Bureau: the Northeast, Midwest, South and West.

6. The poverty line varies by household size. For a family of three, it equaled $9,056 in 1987.

Black Poverty Rates, 1978-1987

	1978	1986	1987
All persons	11.4%	13.6%	13.5%
Blacks	30.6	31.1	33.1
Whites	8.7	11.0	10.5
Black children			
Under 18*	41.2	43.0	45.6
Under 6	42.5	45.6	49.0
Black married couple families	11.3	10.8	12.3
Black female-headed families	50.6	50.1	51.8
Young black families			
Head 15-24	49.0	58.6	56.7
Head 25-34	30.4	34.4	39.4
Blacks by educational level			
College education	12.6	10.9	11.2
High school graduate	18.7	26.7	27.8
Drop-out	34.2	35.4	39.4
Elderly blacks	33.9	31.0	33.9

*Children in families and unrelated subfamilies

- An increasing proportion of the black poor now fall into this "poorest of the poor" category. In 1978, one of every three poor blacks (33.5 percent) fell below half the poverty line. In 1987, close to half of all poor blacks (44.6 percent) did.

- Of the 4.3 million blacks living in households with incomes below half the poverty level in 1987, some 2.2 million were children. In other words, children constitute a majority of those blacks who are among the poorest of the poor.

- These increases in the proportions of the poor falling below half the poverty level have occurred among both black female-headed families and black married-couple families.

  In 1978, about one-fifth (20.4 percent) of all children in poor black married couple families fell below half the poverty level. By 1987, nearly one-third (32.8 percent) did.

  Similarly, in 1978, about two-fifths (42.6 percent) of the children in poor black female-headed families fell below half the poverty level. By 1987, more than half (56 percent) did.

Another indicator of the growing severity of black poverty is provided by Census data that measure the amounts by which the incomes of poor households fall below the poverty line.

- The average poor black family fell further below the poverty line in 1986 and 1987 than in any year since 1967.[7]

- In 1987, poor black families fell an average of $5,179 below the poverty level. By contrast, in 1978, they fell an average of $4,472 below the poverty level, after adjusting for inflation.[8]

- Similar patterns show up when these data are examined on a per person (or per capita) basis, rather than on a per family basis. In 1978, poor blacks fell an average of $1,210 below the poverty level, on a per capita basis. By 1987, poor blacks person fell $1,602 below the poverty level, on a per capita basis.

- The per capita "poverty gap" increased for poor whites as well, but not by nearly the same magnitude. Between 1978 and 1987, the amount by which the average poor black person fell below the poverty level increased by 32 percent, after adjustment for inflation. Among whites, this amount rose 11 percent during the same period.

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7. 1967 is the first year for which these data are available.

8. The growth in the family "poverty gap" is even more marked if it is measured on a per capita basis for each poor family *member* rather than for each poor family. The average "poverty gap" per poor black family member rose 26.6 percent from 1978 to 1987, after adjusting for inflation. The average poverty gap per poor black family rose 15.8 percent during this period.

II. BLACK INCOME

The income of the typical black family was stagnant in 1987, while the income of the typical white family rose. Black family incomes fell further below the incomes of white families last year than in any year in the 1970s.

Changes in black family income in recent years have followed a similar pattern to the changes in black poverty rates. Although overall economic conditions such as unemployment rates were comparable in 1987 to what they had been in 1978, black Americans as a group were worse off. Just as black poverty rates were higher in 1987 than in 1978, so black median family income was lower.

These trends are found among black married-couple families as well as among black female-headed families. Both the typical (or median) black married-couple family and the typical black female-headed family had less income last year than in 1978, after adjustment for inflation.[9] Both also fell farther behind their white counterparts in 1987 than they had in 1978.

While the widening of the income gap between black and white families has occurred in most parts of the country since the late 1970s, the gap widened most sharply in the Midwest. The income of the typical black family there was 65 percent of the income of the typical white family in the late 1970s. By 1987, however, the income of the typical Midwestern black family had dropped to 52 percent -- barely more than half -- of the income of the typical white family in that region.

9. The typical (or median) family is the family whose income places it exactly in the middle of the income distribution. Half of all black families have incomes below that of the typical (or median) black family, while the other half of black families have incomes exceeding that of the typical family.

While many low and moderate income black families experienced stagnant or declining incomes over the past decade, upper income black families made substantial progress. The income gap between the average high income and low income black family is now wider than at any other time on record.

Income Levels of Black Families

Despite continued economic recovery and a substantial decrease in black unemployment in 1987, the income of the typical black family failed to rise last year. All of the income gains in 1987 occurred among whites.

- The income of the typical white family rose from $31,935 in 1986 to $32,274 in 1987, after adjustment for inflation. However, the income of the typical black family failed to increase. (It actually declined slightly, from $18,247 in 1986 to $18,098 in 1987, although the drop was not statistically significant.)

- The difference in the performance of black and white family incomes between 1986 and 1987 is primarily due to the fact that white married-couple families did significantly better last year than black married-couple families.

  The income gap between the typical black married-couple family and its white counterpart widened by more than $1,000 last year. The income of the typical white married-couple family rose by $648 between 1986 and 1987. By contrast, the income of the typical black married-couple family declined by $372 between 1986 and 1987 (although the drop was not statistically significant).

The performance of black family income remains disappointing even when examined over a longer period of time. From 1978 to 1982, black and white family incomes fell as the country experienced back-to-back recessions, including the deepest recession in 40 years in 1981 and 1982. The persistent high unemployment that resulted, along with the large budget reductions of this period, resulted in especially large losses in black family income -- losses significantly greater than those experienced by white families. From 1978 to 1982, the income of the typical black family fell 15.5 percent, while the income of the typical white family dropped 9.5 percent.

Black families thus needed to do substantially better than white families during the economic recovery that began in 1983 simply to return to where they had been in the late 1970s. Instead, black families have done only slightly better than white families during the recovery (and black married-couple families have actually done less well than their white counterparts). By 1987, white families had recovered the ground lost during the recession years, but black families had not. As a consequence, the gap between black and white median family income is now wider than it was in the late 1970s.

- Both the national unemployment rate and the black unemployment rate were at about the same level in 1987 as in 1978.[10] In both years, the nation was in a mature economic recovery.

- Reflecting the return of the economy to a condition similar to that of 1978, the income of the typical white family in 1987 (some $32,274) was $276 above its 1978 level, after adjustment for inflation.

  By contrast, the income of the typical black family was $854 *lower* in 1987 than in 1978, slipping from $18,952 to $18,098 during this period. (See Figure 4 on following page.)

Median Family Income for Black and White Families

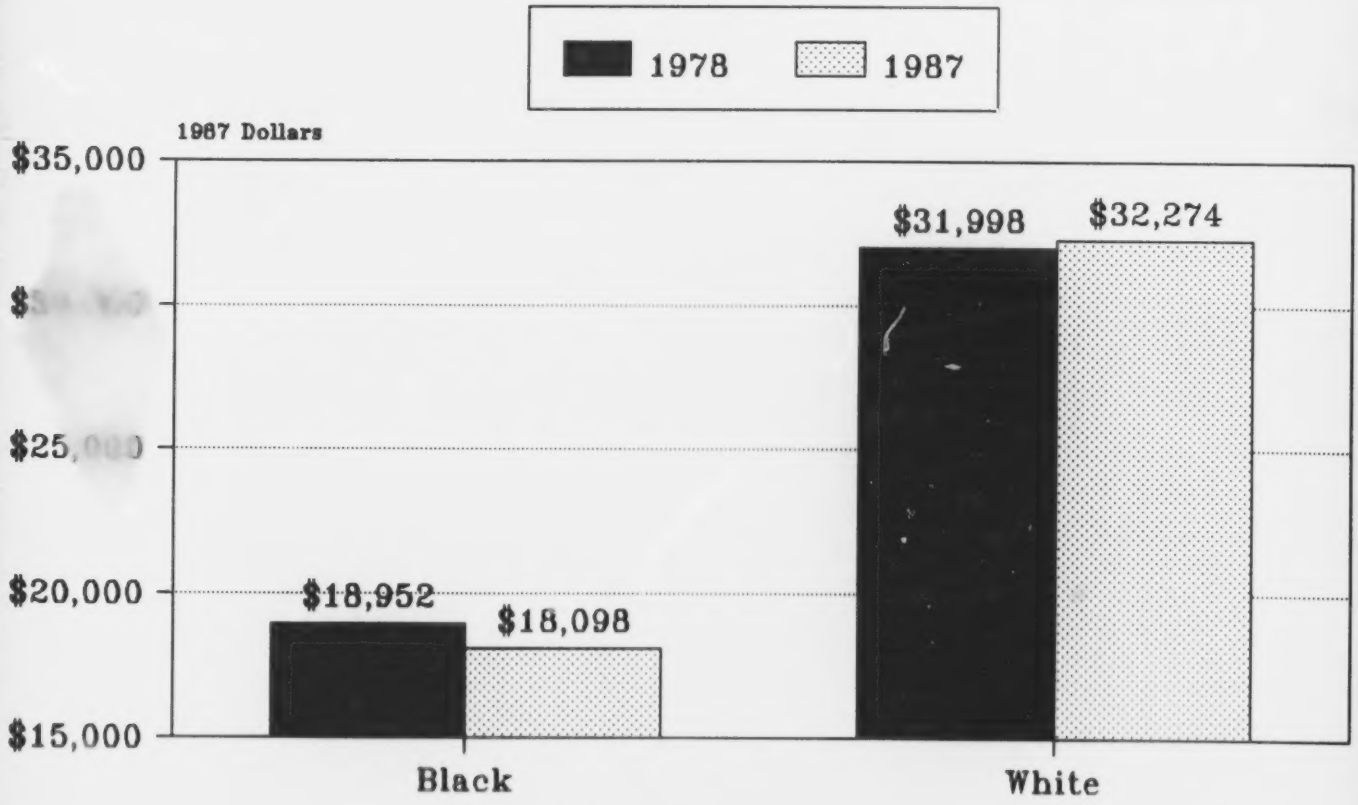
	1978*	1986*	1987	Change in Dollars, 1978-1987
All families				
Black	$18,952	$18,247	$18,098	- $ 854
White	31,998	31,935	32,274	+ 276
Married-couple families				
Black	27,722	27,554	27,182	- 540
White	34,211	34,647	35,295	+ 1,084
Female-headed families				
Black	10,257	9,640	9,710	- 547
White	17,266	16,290	17,018	- 248

*Adjusted for inflation to 1987 dollars.

10. The national unemployment rate was 6.2 percent in 1987 and 6.1 percent in 1978. The black unemployment rate was 13 percent in 1987 and 12.8 percent in 1978.

Figure 4

Median Income of All Families
(By Race)



Source: Bureau of the Census

- As a result, the gap between black and white family income grew. In 1978, the typical black family's income equalled 59.2 percent of the typical white family's income. By 1987, the typical black family's income equalled just 56.1 percent of the typical white family's income.[11]

- In 1987, the gap between black and white family income was wider than in any year during the period from 1967 (when these data were first collected) to 1981 (the year the deep recession began).

This increase in the gap between black and white family incomes from 1978 to 1987 holds for both married-couple families and female-headed families. It should be noted, however, that the income of the typical black married-couple family ($27,182 in 1987) continues to be nearly three times as high as the income of the typical black female-headed family ($9,710 in 1987). In addition, black married-couple family income is much closer to white married-couple family income than black female-headed family income is to white female-headed family income.

- The income of the typical black married-couple family fell $540 from 1978 to 1987, after adjustment for inflation, declining from $27,722 to $27,182. By contrast, the typical white married-couple family's income rose by more than $1,000 during this period. (See Figure 5 on following page.)

  In 1978, the typical black married-couple family had an income that was 81 percent of the income of the typical white married-couple family. But by 1987, the typical black married-couple family's income had declined to 77 percent of that of the typical white family.

  Similarly, the typical black female-headed family had 59.4 percent of the income of its white counterpart in 1978, but this slipped to 57.1 percent in 1987. Typical black and white female-headed families both had less income in 1987 than in 1978 -- but the decline was greater among the black families.

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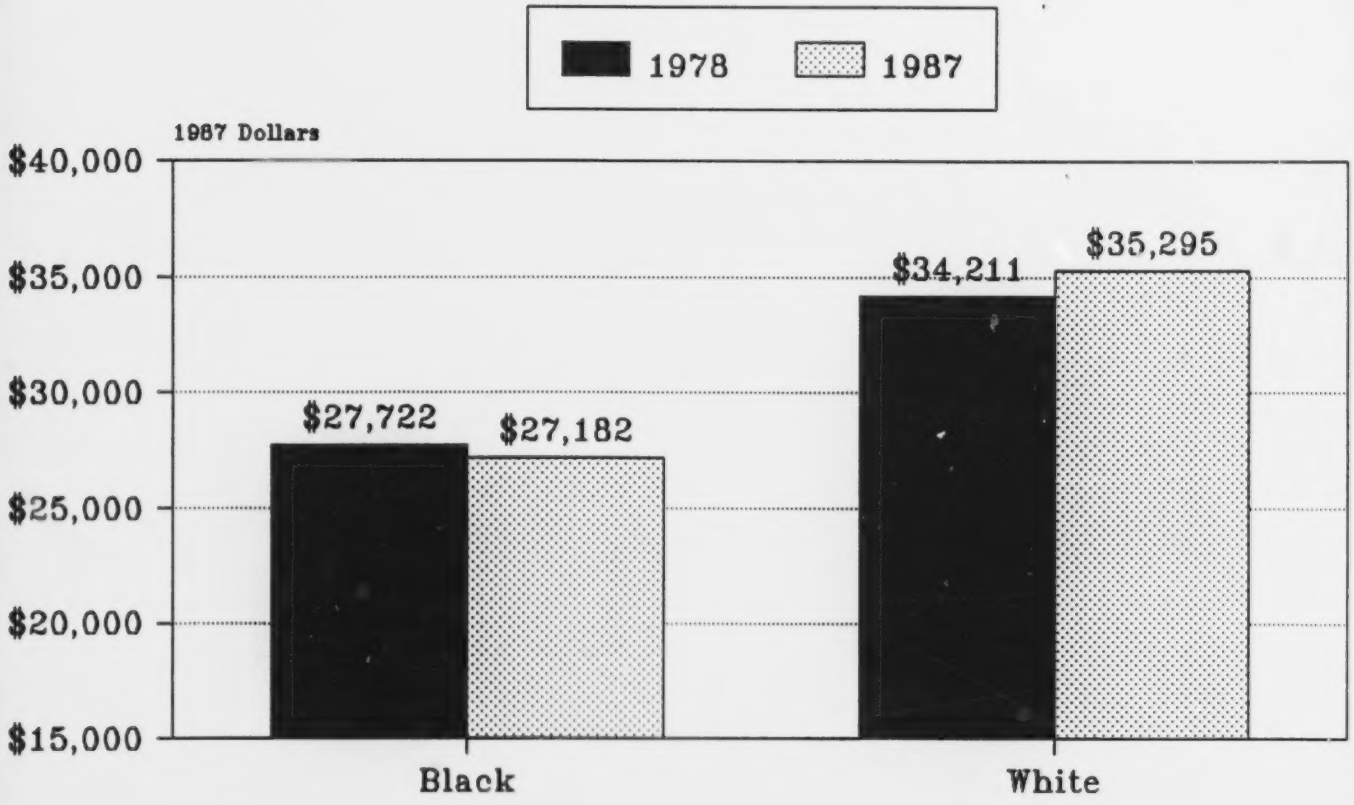
11. Some commentators have claimed that black income is increasing faster than white income but have based this conclusion on changes only since 1982, when the economy hit bottom. Measuring changes between the depth of a recession and a recovery year is highly problematic, however, especially where blacks are concerned. Blacks and other minorities generally are hit hardest during recessions and consequently have to do better during recoveries to make up the lost ground. A more balanced and complete picture of income trends is provided by comparing income levels for two years that represent comparable points of the economic cycle, as is done here with the comparisons of income levels in 1987 to those in 1978.

Figure 5

Median Income of Married-Couple Families

(By Race and in 1987 Dollars)



Source: Bureau of the Census

A much larger percentage of black families than of white families are female-headed, one of the key reasons that overall black median family income falls so far below white family income. Nevertheless, increases in the number of black female-headed families played only a minor role in the widening of the gap between black and white family incomes from 1978 to 1987. During this period, female-headed family formation slowed appreciably in the black community (see Chapter I). The proportion of families that were female-headed rose modestly for both blacks and whites between 1978 and 1987.[12]

Median Black Family Income As A Percentage of Median White Family Income

	1978	1986	1987
All families	59.2%	57.1%	56.1%
Married-couple families	81.0	79.5	77.0
Female-headed families	59.4	59.2	57.1

Income Disparities Grew Most in the Midwest

Income disparities between black and white families have grown since the late 1970s in all regions except the West. The disparities grew most sharply in the Midwest.[13]

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12. The proportion of families that are female-headed rose among blacks from 40.5 percent in 1978 to 42.8 percent in 1987, and among whites from 11.6 percent in 1978 to 12.9 percent in 1987. This had only a small effect on the increase in the gap between black and white median family income.

13. Average black and white median incomes for the years 1977-1979 are used in these comparisons, rather than median income just for the year 1978, because of what may have been an atypical fluctuation in the reported black median family income in the Midwest for 1978. Using median incomes for 1978 as the basis for comparison, rather than average median income for 1977-1979, would show even larger black income declines than those described above.

Average economic conditions over the 1977-1979 period were similar to those in 1987. The unemployment rate averaged 6.3 percent from 1977 to 1979, while averaging 6.2 percent in 1987.

- While median family income in the Midwest has fallen since the late 1970s for both black and white families, it has fallen most for blacks.

- The income of the typical black Midwestern family was nearly $4,700 lower in 1987 than in the late 1970s (1977-79), after adjusting for inflation. The income of the typical white Midwestern family was about $700 lower in 1987 than in the late 1970s.

- The income of the typical black family in the Midwest was 65.3 percent of the income of its white counterpart in the late 1970s. By 1987, the typical black family in the Midwest had only 52.1 percent of the income of its white counterpart.

  The typical black family in the Midwest had an income level of $16,755 last year, lower than the median family income level for blacks in any other region.

- Similarly, black median family income in 1987 represented a smaller percentage of white median family income in the Midwest than in any other region. In the late 1970s, black family income as a percentage of white family income had been higher in the Midwest than in any other region.

The sharp decreases in black family income in the Midwest were due in substantial part to the declining income of black men in that region.

- In 1987, the income of the typical black male in the Midwest was $10,953. This was approximately $4,000 -- or 27 percent -- below its level in the late 1970s, after adjusting for inflation.[14]

- The income of the typical white male in the Midwest also dropped during this period, but by a smaller (although still substantial) amount. The income of a typical white Midwestern male in 1987 was $18,642. This was $2,100 -- or 10 percent -- below its level in the late 1970s.[15]

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14. Income figures for 1987 are for black men aged 15 and older who had income in 1987. Figures for 1977-1979 are for black men aged 14 and older who had income in that year. Since 14 year olds have lower average incomes than older males, this comparison slightly understates the drop in black male income since the late 1970s.

15. Incomes also fell markedly during this period for black men in the Northeast. The typical black male in the Northeast experienced an income decline of approximately $2,200 from 1978 to 1987. The income of the typical white male in the Northeast rose during this same period.

Median income levels also fell in the Northeast and Midwest for black women during these years. The income declines for black women were not as steep as those for black men, however.

(continued...)

Median Family Income by Region, 1987

	Income Level	Black Family Income As A Percentage of White Family Income
Northeast		
Black	$20,678	58.6%
White	35,262	
Midwest		
Black	16,755	52.1
White	32,149	
South		
Black	17,302	56.3
White	30,729	
West		
Black	20,627	63.4
White	32,521	

Widening Gaps Between Rich and Poor

One factor contributing to the growing income disparities between blacks and whites has been the growing income gap between upper and lower income families in the nation as a whole. In 1987, this gap reached its widest point in 40 years.

- In 1985, 1986 and 1987, the poorest fifth of American families received only 4.6 percent of the national family income, the lowest percentage since 1954.
- The poorest two-fifths of American families received 15.4 percent of the national family income in both 1986 and 1987, their lowest share since the Census Bureau first collected these data in 1947.

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15. (...continued)
In the South and West, median income for both black men and black women stayed about the same or rose during this period.

- By contrast, the richest fifth of all families received 43.7 percent of the national family income in 1986 and 1987, the highest percentage on record. The top two-fifths of all families received 67.8 percent of the national family income in 1987, another record.

Since blacks are overrepresented among lower income American families -- and underrepresented among wealthy families -- black/white income disparities tend to grow when the overall income gap widens between the rich and poor in the United States.

In particular, black families are heavily clustered in the bottom two-fifths of the U.S. population. Some 64 percent of black families fall into the bottom two-fifths of all families, more than *three times* as many black families as fall into the wealthiest two-fifths of the population.

Moreover, the proportion of black families that fall into the very lowest income brackets has risen sharply in recent years, while the proportion of white families in these bottom income brackets has grown much more slowly.

- Some 13.5 percent of all black families had incomes below $5,000 a year in 1987, a substantial jump from 1978, when 8.4 percent of black families fell into this income bracket (after adjusting for inflation).

- During the same period, the proportion of white families with incomes below $5,000 climbed only from 2.4 percent in 1978 to 3.2 percent in 1987.

Growing Income Gaps Among Black Families

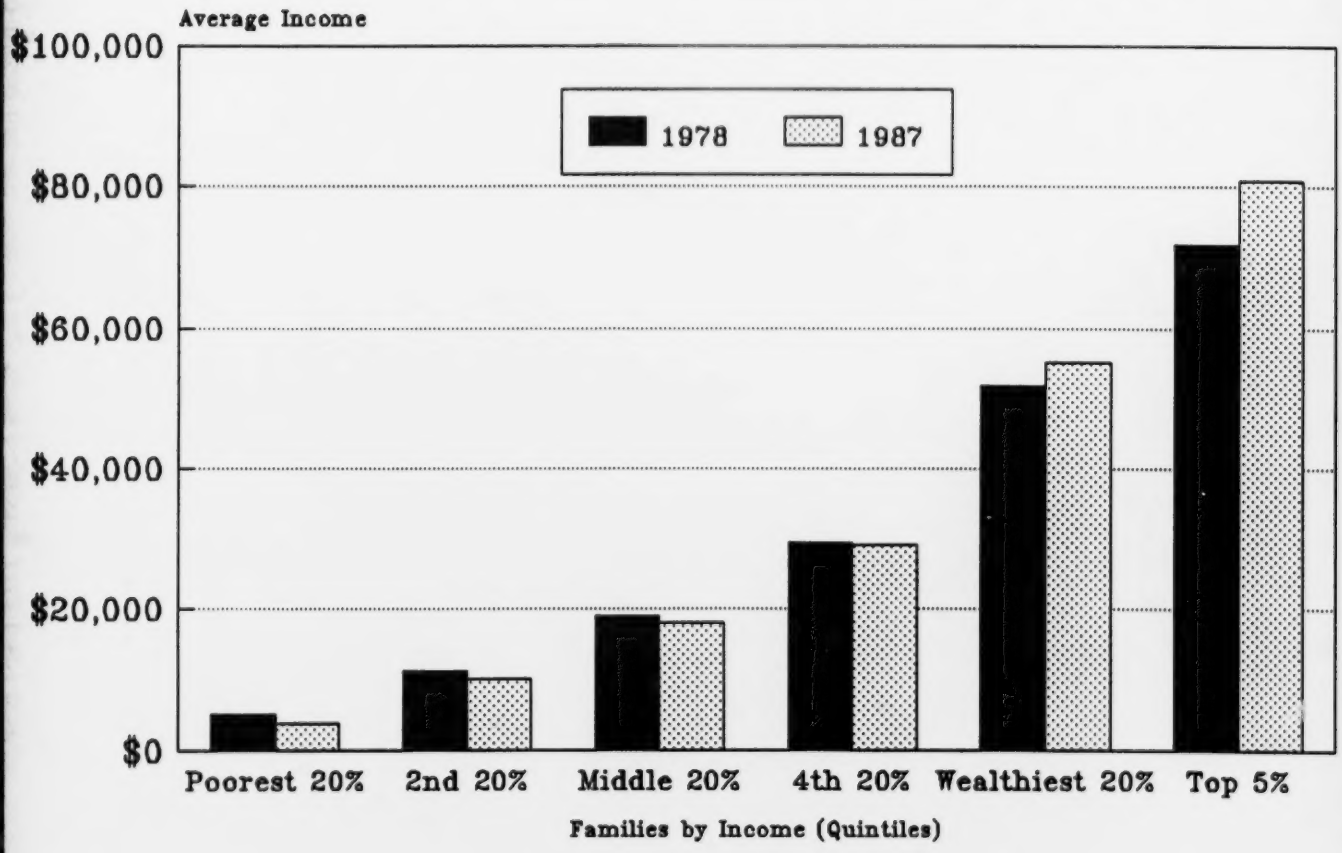
Income gaps have been widening within the black community itself. In fact, the gaps between rich and poor have been growing more rapidly among blacks than in the nation as a whole. Poor black families have been growing poorer, while upper income black families grow more affluent.

- The average income of the poorest fifth of black families plunged 23.6 percent between 1978 and 1987, falling from $5,022 in 1978 to $3,837 in 1987, after adjustment for inflation. (See Figure 6 on following page.)

- Similarly, the average income of families in the next-to-the-bottom fifth of black families -- and also of families in the middle fifth -- fell by more than $1,000 from 1978 to 1987.

Figure 6

Average Income of Black Families
(By Quintile)



Source: Bureau of the Census

- During the same period, however, the average income of families in the top fifth of black families rose by more than $3,000, increasing from $51,858 in 1978 to $55,107 in 1987.

- Moreover, the average income of the wealthiest black families -- those in the top five percent of black families -- rose by $9,000 from 1978 to 1987, climbing from $71,947 in 1978 to $80,917 in 1987.

Average Income of Black Families by Income Group

	1978*	1986*	1987	1978-1987
Poorest fifth of families	$ 5,022	$4,014	$3,837	- $1,185
Next-to-poorest fifth	11,329	10,389	10,115	- 1,214
Middle fifth	19,038	18,416	18,020	- 1,018
Next-to-top fifth	29,550	29,749	29,181	- 369
Top fifth**	51,858	55,484	55,107	+ 3,249
Top five percent**	71,947	82,636	80,917	+ 8,970

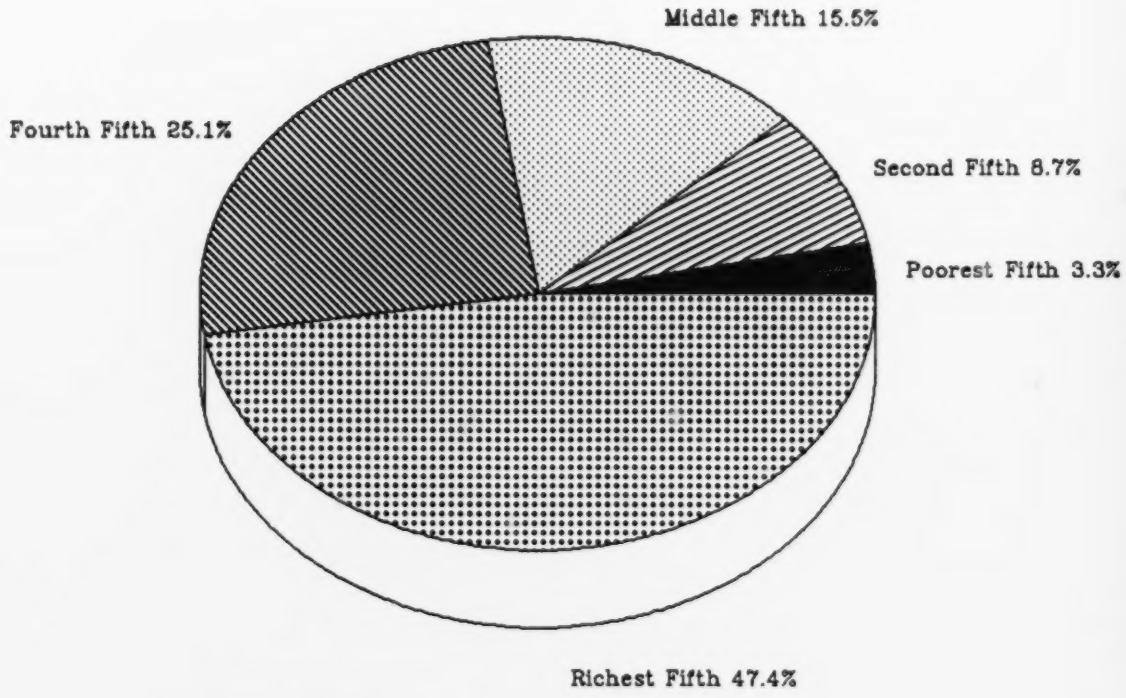
*Adjusted for inflation to 1987 dollars.

**Starting in 1985, the Census Bureau made an adjustment in methodology that had a modest effect on the average income levels shown for the top fifth of families and the top five percent of families. The change in methodology had the effect of increasing the average income shown for families in the top fifth by about $350 and for families in the top five percent by about $1,100. This accounts for less than one-eighth of the increase from 1978 to 1987 shown for both groups. The change in methodology was made by the Census Bureau because the approach used prior to 1985 understated the incomes of some wealthy families.

As a consequence, the income gap between lower and upper income black families is now at the widest level ever recorded. Moreover, income inequality is now significantly greater among black families than it is among whites.

- In 1987, the poorest fifth of all black families received just 3.3 percent of black national family income. (See Figure 7 on following page.) This is the lowest level ever recorded since the Census Bureau began collecting these data in 1974.

Figure 7
Distribution of Black Family Income
(1987)



Source: Bureau of the Census

- By contrast, in 1987 the poorest fifth of white families received a larger share (5.1 percent) of the white national family income.

  The proportion of black family income going to the poorest fifth of black families fell by nearly one-third from 1974 to 1987. Among whites, the proportion of family income going to the poorest fifth of families declined by less than one-eighth from 1974 to 1987.

- In 1987, the poorest fifth of black families were those whose incomes fell below $6,800. The average income level for this group of families was $3,837.

- The bottom two-fifths of black families received just 12 percent of black family income in 1987, another record low. By comparison, the bottom two-fifths of white families received 16.3 percent of the white family income in 1987.

- The bottom three-fifths of black families received 27.5 percent -- a little more than one-fourth -- of black family income in 1987, still another record low. The bottom three-fifths of white families received 33.3 percent of the white family income.

Meanwhile, upper income blacks commanded record high proportions of black family income.

- The top fifth of black families received 47.4 percent of black family income in 1987, a record high. The top fifth of white families received 42.9 percent of white family income last year.

- The top two-fifths of black families had 72.5 percent of the black family income, another record high; their white counterparts had 66.7 percent of the white family income.

It should be recognized, however, that while income inequality (i.e., the total proportion of income going to upper income families as compared to the total proportion of income going to lower income families) is greater among black than among white families, the wealthiest white families have substantially higher incomes than do the wealthiest black families. The average family income of those in the top fifth of black families was slightly more than $55,000 in 1987. The average income of those in the top fifth of white families was $82,000.

III. BLACK EMPLOYMENT, UNEMPLOYMENT AND WAGES

Developments in the employment situation for black Americans in the 1980s have been mixed.

The black unemployment picture deteriorated sharply during the recession of the early 1980s, but improved considerably during the ensuing economic recovery. Today the black unemployment rate is at its lowest level since 1974, and the proportion of black adults with jobs is at a higher level than at any point since 1972 (the first year for which these data are available).

These positive signs on the employment front have not been matched by equivalent improvements in income. Black poverty rates remain high and median black family income was lower in 1987 than in the late 1970s. Part of the reason for this disappointing record on poverty and income levels can be found by examining other facets of the employment situation.

While black employment levels have increased, black wage levels have stagnated. The earnings of the typical full-time black worker are now virtually the same as in 1980 and are lower than they were from 1972 to 1979, after adjusting for inflation.

The fall in earnings has been especially sharp for black male workers and for black workers under age 30 who head families. The median earnings of full-time black male workers dropped 10 percent from 1979 to 1987, after adjustment for inflation. And as a recent report by the Children's Defense Fund and the Center for Labor Market Studies at Northeastern University found,[16] the earnings of black workers under 30 who

16. *Vanishing Dreams: The Growing Economic Plight of America's Young Families,* prepared by the Children's Defense Fund and the Center for Labor Market Studies at Northeastern University, September 5, 1988, p. 67.

head families fell, after adjustment for inflation, by 32 percent from 1979 to 1987 and by half from 1973 to 1986.

In addition, in some areas, blacks have fallen further behind whites. The ratio between black and white unemployment rates has worsened in the 1980s. The black unemployment rate was 2.27 times the white rate in 1980; it was 2.45 times the white rate in 1987.

Moreover, 80,000 (or 40 percent) more blacks were among the ranks of the long-term unemployed in 1987 than in 1980.

It should also be noted that the improvement in black unemployment rates that has occurred in recent years is closely linked to demographic changes. The number of people in the total labor force increased by 23 percent from 1972 to 1980, but by only 14 percent from 1980 to July 1988. With smaller numbers of workers entering the labor force than in the past, it has been easier for the economy to generate enough jobs for these workers.

Finally, a comparison of employment and wage rates during the tenure of recent administrations finds higher average unemployment rates and lower average earnings under the current administration than under its three predecessors.

Employment and Unemployment

Black unemployment rates are now at historically low levels, although they remain substantially higher than white unemployment rates. (See Figure 8 on following page).

- The black unemployment rate averaged 13 percent in 1987, lower than in any other year in the 1980s, but higher than in most years of the 1970s.

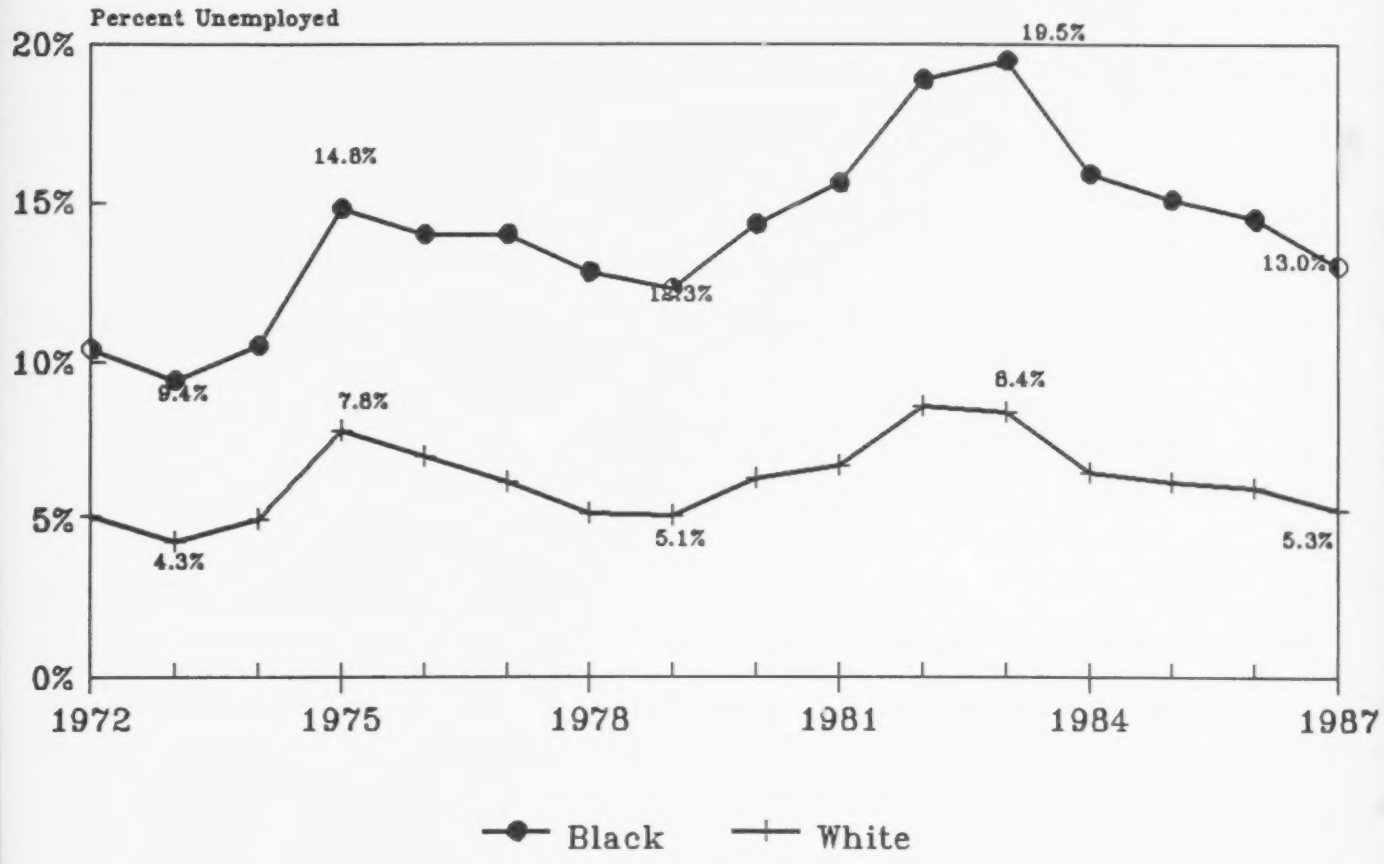
- In 1988, the black unemployment rate is expected to average slightly less than 12 percent, which would be its lowest level since 1974. In August 1988, the rate stood at 11.3 percent.

- The black "employment-to-population"ratio -- the proportion of the total black adult population (including people not in the labor force) who are employed -- is at high levels. This ratio stood at 55.6 percent in 1987 (meaning that 55.6 percent of all black adults were employed), the highest level recorded since these data were first collected in 1972. (The ratio equaled 56.7 percent in July 1988.) The black employment-to-population ratio rose more than the white ratio during the 1980s.

Job creation for blacks has proceeded at a fairly brisk pace in the 1980s, continuing a trend from the late 1970s.

- Nearly 11.8 million blacks were employed in July 1988, an increase from 10.1 million in 1984 and 9.3 million in 1980.

Figure 8
Unemployment Rates by Race



Source: Department of Labor

- From 1980 to 1988 (using July 1988 data to represent the entire year), the number of blacks who were employed increased an average of 2.9 percent per year. This was slightly below the average annual black employment increase of 3.1 percent from 1976 to 1980.

At the same time, however, it bears noting that the current low unemployment rates among blacks came after a period of unusually high black unemployment rates in the first part of the decade.

- From 1980 to 1983, the black unemployment rate soared from 14.3 percent to 19.5 percent as the nation experienced its worst recession since the end of World War II. Nearly one of every five blacks in the labor force was jobless in an average month in 1983.

- Considering the decade as a whole, black unemployment rates have been high. During the years of the Reagan administration (1981-88), the black unemployment rate averaged 15.5 percent. By contrast, the average unemployment rate was 13.4 percent during the Carter administration and 12.2 percent during the four years before that of the Nixon-Ford administration.

Moreover, while the black unemployment rate has declined during the current economic recovery, it has not declined as much as the white unemployment rate. The ratio between black and white unemployment rates is now worse than at the beginning of the decade.

- In 1980, the black unemployment rate of 14.3 percent was 2.27 times as high as the white unemployment rate of 6.3 percent. (The ratio hit a recorded low of 1.9 in 1975.) In 1983, when unemployment was at its peak, the black/white ratio was about the same as in 1980, with the black unemployment rate equaling 2.32 times the white rate.

- By 1987, however, the black rate equaled 2.45 times the white rate, and for the first eight months of 1988, the black rate was 2.57 times the white rate. If the 2.57 ratio holds for 1988 as a whole, it will represent the highest black-to-white unemployment rate ratio ever recorded (data are available back to 1972).

- If the ratio between black and white unemployment rates had been the same for the first eight months of 1988 as it was in 1980, the black unemployment rate over this eight-month period would have averaged 10.7 percent -- more than a full percentage point below its actual average of about 12 percent.

- Among black males, unemployment rates remain particularly high for this stage of an economic recovery. In 1978, both the national unemployment rate and the overall black unemployment rate were at about the same levels as in 1987. Yet in 1978, the unemployment rate for black males was 11.8 percent. In 1987, it was 12.7 percent.

In the seven years from 1981 through 1987, the black male unemployment rate averaged 16.5 percent. When 1988 is included, the rate is expected to average about 16 percent during the current administration's tenure. During the preceding eight years (from 1973 to 1980), the black male unemployment rate averaged 12.2 percent.

- The employment-to-population ratio for black men (which stood at 62 percent in 1987) remains below its level for much of the 1970s.

Black teenage unemployment is of particular concern, although the teenage unemployment rate has dropped significantly in recent years. The decline is due in part to the sharp drop in the total number of youth in the labor force -- which fell from 9.4 million in 1980 to 8.1 million in July 1988.[17]

- The black teenage unemployment rate increased from 38.5 percent in 1980 to 48.5 percent in 1983, when nearly one of every two black teens looking for work was unemployed.

- The black teen unemployment rate then dropped to 34.3 percent in 1987 and has dropped further to 32.4 percent in August 1988. Nevertheless, nearly one of every three black teenagers seeking employment is still unable to find a job.

Also of concern is long-term unemployment among blacks. The number of black people who are unemployed for more than half a year and still looking for work is at unusually high levels for this stage of an economic recovery.

- The overall unemployment rate in 1987 was at about the same level as in 1978. But there were 100,000 more long-term unemployed black workers in 1987 than in 1978, an increase of more than 50 percent in the ranks of the black long-term unemployed. In 1978, the proportion of the black unemployed that consisted of the long-term unemployed stood at 13.6 percent. In 1987, however, some 16.7 percent of the black unemployed (one in every six) were in the long-term unemployed group.

- Black long-term unemployment has risen substantially compared to 1980, as well. The number of black long-term unemployed people in 1987 was 80,000 (or 40 percent) greater than in 1980. (The number of black long-term unemployed was about 30,000 less in July 1988 than in 1987, but was still well above its 1978 and 1980 levels.)

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17. These data are for 16 to 19 year olds from all racial groups. Although the number of teenage blacks in the labor force has not declined, the number of white teenagers has dropped sharply. Black and white youth labor markets are related; a significant decline in the number of white teenagers in the labor force is likely to lead to increases in the numbers of black teenagers who are hired.

- In 1987, blacks comprised 11 percent of the overall U.S. labor force, 23 percent of unemployed workers, and 27 percent of the long-term unemployed.

Wage Levels

The improvement in black unemployment rates in recent years has not been matched by improvements in earnings levels. On the contrary, wage levels for black workers have stagnated in the 1980s and are now lower than in the 1970s. The earnings gap between black and white workers remains large. (See Figure 9 on following page).

- The median weekly earnings of black full-time workers was $315 in 1987, almost exactly where it stood in 1980 when the median weekly earnings of those workers was $314. (All figures are adjusted for inflation and expressed in 1988 dollars.) Data from the first half of 1988 suggest that these earnings figures will change little this year.

- Earnings in 1987 were lower than in any year from 1972 to 1979. They were more than five percent lower than in 1979, after adjusting for inflation.

- These earnings, after adjusting for inflation, have averaged $310 during the Reagan Administration (1981 to 1987), as compared to $330 in the Carter years (1977 to 1980) and $340 in the Nixon/Ford years (1973 to 1976).

- A large gap remains between the earnings of black and white workers; black full-time workers typically earn about 20 percent less per week than their white counterparts. This gap has remained fairly constant over time.

Declining Earnings among Black Men and Young Black Families

Important groups of black workers have experienced major earnings declines. One such group is black men who work full time.

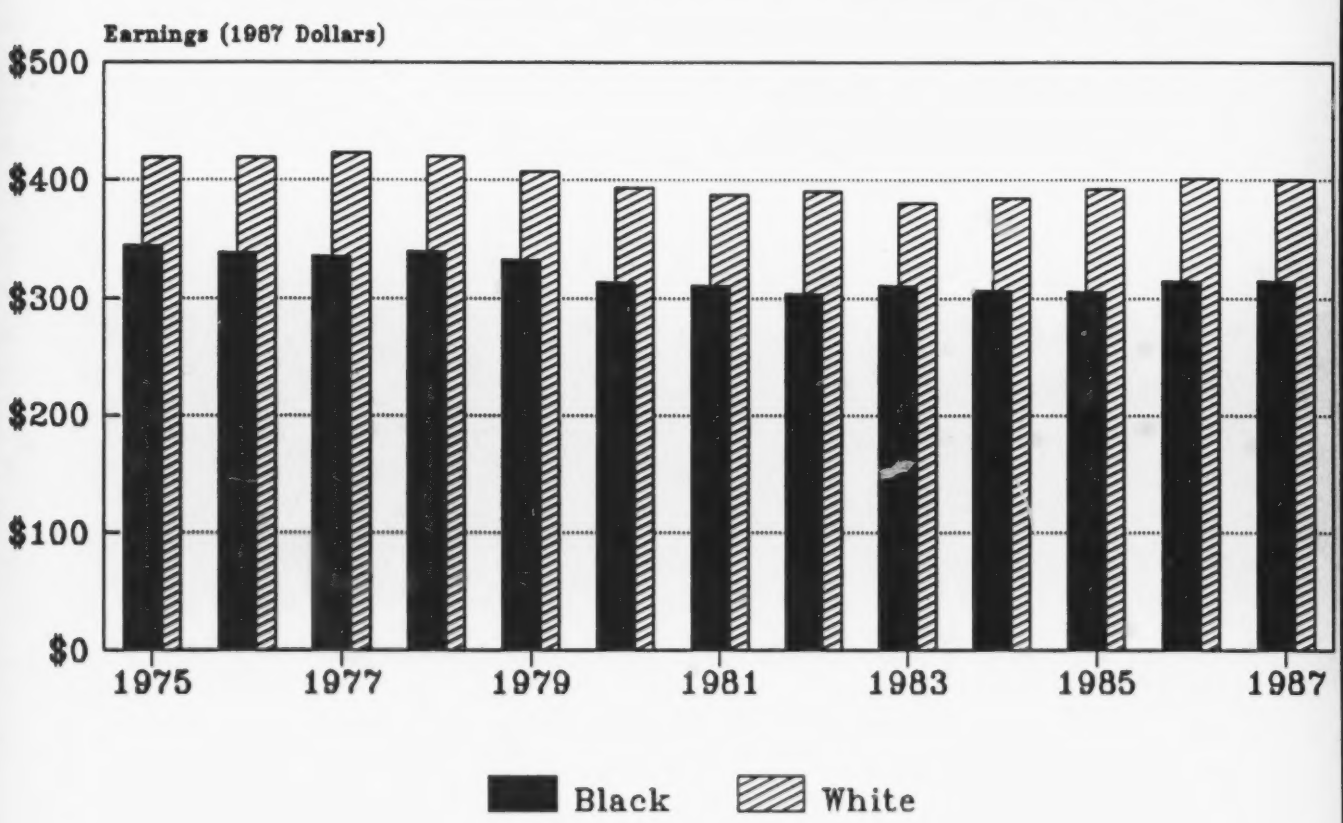
- Median earnings of full-time black male workers fell by 10 percent from 1979 to 1987, after adjusting for inflation. The earnings of these workers equaled $380 per week in 1979, but only $341 in 1987 (all earnings figures are expressed in 1988 dollars). (Data from the first two quarters of 1988 suggest that these earnings will rise to slightly above $350 for 1988, an increase from 1987 but still far short of its 1979 level.)

Another such group is young black workers who head families.

- According to a recent report of the Children's Defense Fund and the Center for Labor Market Studies, young black workers who are heads of families suffered an even sharper earnings decline. Median annual earnings for blacks under age 30 who head families fell by 32 percent from 1979 to 1986, after adjusting for inflation. (This study includes data only through 1986.) These earnings have fallen by half since 1973.

Figure 9

Median Weekly Earnings by Race
(Full-Time Wage and Salary Workers)



Source: Department of Labor

IV. FEDERAL BUDGET POLICY IN THE 1980s: ITS EFFECT ON BLACK AMERICANS

In the early 1980s, when the decade's principal federal budget reductions were made, the sharpest cuts were concentrated in programs for households with low incomes. Appropriations for many low income programs that are not entitlements were reduced sharply; total appropriations for low income non-entitlement programs (which include many job training programs, health and social services, and low income housing programs) fell by more than 50 percent between fiscal years 1981 and 1988, after adjustment for inflation. Basic benefit programs such as the Food Stamp Program, Aid to Families with Dependent Children, and the unemployment insurance program were also reduced.

Black Americans were disproportionately affected by these reductions. Due to their higher poverty rates, blacks are more likely to participate in low income programs than are other Americans. While blacks comprise 12 percent of the total U.S. population, they constitute 30 percent of the population that is poor and a comparable proportion of the beneficiaries of many of the low income programs that sustained major reductions. One study found that the average black household lost three times as much from the large budget cuts enacted in 1981 as the average white household.

Recent poverty data issued by the Census Bureau strongly link the budget reductions to higher levels of black poverty, especially among families with children. Between 1979 and 1987, the number of black families with children living in poverty grew by 26 percent. The Census data indicate that one of the reasons for this poverty increase is that government benefit programs now lift many fewer poor black families out of poverty than they did in the late 1970s.

In 1979, one of every six black families with children who would have been poor (16 percent of these families) was lifted out of poverty by cash benefits such as public assistance, unemployment insurance, and Social Security. In 1987, however, only one of every 12 such black families (8.8 percent) was lifted out of poverty by these programs.

Had government benefit programs maintained the same anti-poverty impact they had in 1979 -- and lifted out of poverty the same proportion of poor families with children as they did in that year -- then 38 percent of the increase in poverty in 1979 among black families with children would not have occurred.

Reductions in Low Income Programs

Government programs that aid low income households fall into two categories. These are "discretionary programs" and "entitlement programs." Both types of programs have been reduced in the 1980s.

Discretionary (or non-entitlement) programs are those programs for which Congress has the discretion to set funding levels each year through the appropriations process. Entitlement programs are those for which the government is required by law to provide specified levels of assistance or benefits to all who meet prescribed eligibility criteria.

Low Income Discretionary Programs

The sharpest reductions occurred in the discretionary (non-entitlement) programs targeted on low income families and individuals (see Table 1).

- Total appropriations for low income non-entitlement programs in fiscal year 1988 were 54 percent below their fiscal year 1981 levels, after adjusting for inflation.

- In dollar terms, total FY 1988 appropriations for low income non-entitlement programs declined by $44.6 billion (from fiscal year 1981 to fiscal year 1988), after adjusting for inflation.

- The largest reductions came in subsidized housing programs. These programs are limited in scope, providing housing assistance to less than one of three eligible low income families. Appropriations for subsidized housing programs fell from $30.2 billion in FY 1981 to $7.7 billion in FY 1988. After adjusting for inflation, this is a decline of 80.6 percent.[18]

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18. The deep reductions in appropriations for subsidized housing during this period are not matched by decreases in outlays for subsidized housing. In many subsidized housing programs, funds appropriated in a given year are actually spent over periods of as much as 20 years. Trends in subsidized housing outlays during the 1980s reflect, in part, housing commitments and housing projects undertaken during the 1970s, and subsidized housing outlays have risen in this decade as a result. Part of the large reductions of recent years in appropriations for subsidized housing will be reflected in outlays levels in the future. It should also be noted that because of growing shortages in low rent

(continued on page 38)

TABLE 1. CHANGES IN LOW INCOME DISCRETIONARY PROGRAMS, FY81 - FY88

DISCRETIONARY LOW INCOME PROGRAMS	FY 1981 BA 1/	FY 1981 ADJUSTED FOR INFLATION 2/	FY 1988 BA	CHANGE FY81-FY88 (after inflation)	PERCENT CHANGE (after inflation)
		(In Millions of Dollars)			
CHILD WELFARE SERVICES	$173	$228	$239	$11	5.0%
COMMODITY SUPPLEMENTAL FOOD PROGRAMS	27	36	50	14	40.7%
COMMUNITY DEVELOPMENT BLOCK GRANT	3,695	4,863	2,880	-1983	-40.8%
COMMUNITY SERVICES BLOCK GRANT	525	691	382	-309	-44.7%
COMPENSATORY EDUCATION (CHAPTER 1)	3,545	4,666	4,337	-329	-7.0%
EMERGENCY FOOD AND SHELTER	0	0	114	114	N.A.
FINANCIAL AID FOR NEEDY STUDENTS	3,802	5,004	5,545	541	10.8%
FOOD DONATIONS	129	170	194	24	14.3%
HEADSTART	814	1,071	1,206	135	12.6%
HEALTH CARE SERVICES 3/	856	1,126	1,073	-53	-4.7%
HIGHER EDUCATION PROGRAMS (TRIOs)	160	211	206	-5	-2.2%
HOMELESS SHELTER PROGRAMS	0	0	73	73	N.A.
HOUSING ASSISTANCE FOR THE ELDERLY	797	1,049	556	-493	-47.0%
INDIAN EDUCATION	355	467	305	-162	-34.7%
INDIAN HEALTH	692	911	1,009	98	10.8%
LEGAL SERVICES	321	422	306	-116	-27.6%
LOW INCOME ENERGY ASSISTANCE	1,850	2,435	1,532	-903	-37.1%
LOW INCOME WEATHERIZATION	175	230	161	-69	-30.1%
OLDER AMERICANS EMPLOYMENT	277	365	331	-34	-9.2%
PUBLIC HOUSING OPERATING SUBSIDIES	1,071	1,410	1,450	40	2.9%
SOCIAL SERVICES BLOCK GRANT (TITLE XX)4/	2,991	3,936	2,700	-1236	-31.4%
SUBSIDIZED HOUSING	30,170	39,707	7,682	-32025	-80.7%
TEMPORARY EMERGENCY FOOD ASSISTANCE	0	0	50	50	N.A.
TRAINING AND EMPLOYMENT SERVICES	9,106	11,984	3,805	-8179	-68.3%
WORK INCENTIVE PROGRAM (WIN)	365	480	93	-387	-80.6%
WIC	900	1,184	1,802	618	52.1%
TOTAL DISCRETIONARY PROGRAMS WITH SUBSIDIZED HOUSING	62,796	82,646	38,081	(44,565)	-53.9%
TOTAL DISCRETIONARY PROGRAMS WITHOUT SUBSIDIZED HOUSING	32,626	42,939	30,399	(12,540)	-29.2%

1/ FY 1981 budget authority levels at the start of the Reagan Administration, prior to rescissions implemented by the administration in the spring of 1981.

2/ Inflation from FY 1981 to FY 1988 is calculated using CPI-U, FY87/FY81, and assumes a 4.1 percent inflation factor for FY 1988, as estimated by the Congressional Budget Office in August 1988. Total inflation adjustment for FY 1981 to FY 1988 is 31.61 percent.

3/ This includes the following programs: Maternal and Child Health Block Grants, Community Health Centers, Migrant Health Centers, Immunizations, and Health Care for the Homeless. This includes $20 million authorized for infant mortality improvements that will be distributed to Community Health Centers and Migrant Health programs.

4/ Although the Social Services Block Grant is sometimes regarded as a "capped entitlement," funds for the Social Services Block Grant are limited to those actually appropriated. If Congress appropriates less than the authorized level, only the amount appropriated is actually provided.

- Many other low income programs have also been reduced substantially since FY 1981: appropriations levels have dropped 81 percent for the Work Incentive program, which provides job training to welfare recipients; 68 percent for other employment and training programs for low income and disadvantaged people; 47 percent for housing assistance for the elderly and handicapped; 37 percent for the low income energy assistance program; and 28 percent for legal services. (All figures are adjusted for inflation.)

- Total appropriations for low income discretionary programs other than subsidized housing fell 29.2 percent from FY 1981 through FY 1988, after adjusting for inflation.

Low Income Entitlement Programs

While low income entitlement programs were not cut as sharply as low income discretionary programs, several low income entitlement programs did undergo significant reductions. Chief among these were the Food Stamp Program and Aid to Families with Dependent Children.

- As a result of budget cuts in 1981 and 1982, the Food Stamp Program underwent the largest percentage reduction of any major means-tested benefit program. Federal outlays for food stamp benefits fell 15 percent from FY 1981 to FY 1987, after adjusting for inflation.

- Although three million more people lived below the poverty line in 1987 than in 1980, some 900,000 fewer people received food stamps in an average month of 1987 than in 1980. In 1980, for every 100 people living in poverty, there were 68 food stamp participants; in 1987, for every 100 people in poverty, there were 58 food stamp participants. Some 36.4 percent of food stamp recipients in 1986 were black.

- AFDC program changes enacted in 1981 resulted in a loss of eligibility or benefits for large numbers of families, most of them single-parent families in which the mothers work at low-paying jobs. The Secretary of Health and Human Services reported that 408,000 families lost all AFDC benefits due to program reductions, while another 299,000 families had their benefits reduced. More than 40 percent of AFDC families are black.

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18. (...continued from page 36)
housing, the numbers of low income households spending very large proportions of their incomes on rent have risen sharply in recent years, despite growth in subsidized housing outlays. Census data analyzed by the General Accounting Office show that the number of low income renter households spending more than half of their income on rent and utilities climbed from 3.7 million households in 1975 to 6.3 million in 1983 (the latest year for which these data are available). In 1983, approximately half of all renter households in the U.S. with incomes below $7,000 a year spent at least 60 percent of their income on rent and utilities.

- The General Accounting Office found similar results. In a study of families in five cities who had been terminated from AFDC by the budget cuts, the GAO found that in several of these cities as many as 80 percent of those terminated were still below the poverty line one and a half to two years after being terminated. Although a number of these families tried to compensate for the loss of benefits by working harder and increasing their earnings, the GAO found that the increases in earnings did not offset the losses in benefits. The overall income of the families cut from AFDC fell an average of $124 to $216 a month, the GAO reported. (This equals $1,500 to $2,600 on an annualized basis, a very substantial loss for a poor family.)

- The GAO also found that many of the terminated families lost Medicaid coverage for themselves and their children when their AFDC benefits were cut off. Between 14 and 24 percent of the terminated families reported that after their benefits were terminated, they experienced a situation in which they either did not seek medical treatment when it was needed or were denied treatment due to lack of money or insurance. In addition, one-third of the terminated families reported having a utility shut off after they terminated from AFDC, due to non-payment of a bill.[19]

- States have reduced AFDC benefit levels as well. Benefits for a family of four with no other income are now 21 percent lower than in 1979 in the typical (or median) state, after adjusting for inflation, and 33 percent lower than in 1980.

- The combined federal and state reductions have also served to sharply limit eligibility for AFDC.[20] In 1977, there were 78 children receiving AFDC for every 100 children in poverty. In 1987, there were 58 children receiving AFDC benefits for every 100 children in poverty.

- Benefit reductions were also large in the unemployment insurance program and are one of the factors that contributed to the sharp contraction that has marked that program in recent years. In 1987, only 31.5 percent of the

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19. The GAO found that in the five cities studied, between 32 percent and 44 percent of the families terminated from AFDC reported had gas, electric, or telephone service cut off due to non-payment, after being terminated from AFDC. The GAO also found that between 30 percent and 48 percent of the terminated families either had not sought or had been refused treatment for a dental problem (due to inability to pay) after being dropped from the rolls.

20. In 1980, some 36 states provided AFDC benefits to a low income working mother with three children whose earnings equalled 75 percent of the poverty line. In 31 of these 36 states, the AFDC benefits raised the family's disposable income above the poverty line. By contrast, in 1987, a mother with this level of earnings qualified for AFDC benefits in just seven states -- and in only one state was she raised above the poverty line. (These data, which are drawn from tables prepared by the staff of the House Committee on Ways and Means, pertain to working mothers without child care expenses.)

unemployed received unemployment insurance benefits in an average month, the lowest coverage rate on record. 1987 marked the fourth consecutive year that unemployment insurance coverage fell to a new record low.[21]

- For blacks, unemployment insurance coverage rates are even lower. Labor Department data indicate that only 21 percent of the black unemployed -- or about one in five -- received unemployment insurance benefits in an average month in 1987.[22]

- It should be noted that after the deep benefit cuts of the early 1980s, some benefit restorations were made in low income entitlement programs, primarily from 1984 to 1988. In addition, in the past few years, Congress has extended Medicaid coverage to more low income pregnant women and young children. Nevertheless, many of the reductions enacted in the early 1980s, particularly the AFDC cuts affecting low income working mothers and their children and the reductions in unemployment insurance, remain in effect either in full or in large part.[23]

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21. The unemployment insurance program is not a "means tested" program (i.e., is not limited to low income individuals). However, the budget reductions in this program appear to have had a significant impact on low income households. One of the nation's leading experts on unemployment insurance, Wayne Vroman of the Urban Institute, has written: "[I]t seems clear that UI benefit cutbacks have contributed to economic hardship and to occurrences of poverty in the 1980s."

22. The estimated 21 percent coverage rate for the black unemployed is based on several sets of Labor Department data: regular monthly data on the number of unemployed blacks and the number of unemployment insurance recipients and data from a special Department survey on the demographics of unemployment insurance recipients. The survey, which is based on data for February, May, August, and November of each year, includes information on the percentage of unemployment insurance recipients who are black and are not of Hispanic origin.

23. Some benefit restorations were enacted in AFDC in 1984 and in the food stamp program in 1985, 1987, and 1988. Most of the key AFDC reductions made in 1981 that were aimed at low income working families with children remain in effect, either in whole or in part.

In the Medicaid program, expansions enacted in recent years have extended coverage to a significant number of low income pregnant women and young children who are not on welfare.

Supplemental Security Income (SSI) benefits for the aged, blind, and disabled poor were raised in 1983. The SSI benefit increases were designed to compensate for losses that SSI beneficiaries would otherwise have suffered as a result of the six-month delay in Social Security cost-of-living adjustments contained in the 1983 Social Security legislation.

Budget Cuts Disproportionately Affect Blacks

These budget reductions had a disproportionate effect on blacks.

- Blacks are three times more likely than whites to be living in poverty. Thus, they tend to make more use of government assistance programs. While blacks comprise 12 percent of the total U.S. population, they account for 30 percent of the poverty population and 25 to 40 percent of the beneficiaries of most of the low income programs that have sustained major reductions. Consequently, blacks are about three times more likely than the general population to be affected by these program reductions.

- Researchers at The Urban Institute, a nonpartisan research institution in Washington, D.C., found that budget cuts enacted in 1981 (when the bulk of the cuts were made) cost the average black family three times as much in lost income and benefits as they cost the average white family. This occurred primarily because the sharpest cuts were made in low income programs, in which blacks participate disproportionately.

Size of Budget Cuts in Non-Entitlement Programs with High Black Participation

Program	Reductions in Appropriations Levels FY 1981 - FY 1988	Percentage of Participants Who Are Black
Public Service Employment (CETA)	-100.0%	30.3%
Subsidized Housing	-80.7	34.9
Work Incentive Program (WIN)	-80.6	42.0
Training & Employment Services	-68.3	34.5
Legal Services	-27.6	23.4
Low Income Energy Assistance	-37.1	25.0

23. (...continued)

Finally, the earned income tax credit (a refundable tax credit for low income working families with children) was enlarged by the 1986 tax reform act. The expansion in the credit, along with the other income tax changes benefitting poor families included in the act, essentially returned overall federal income and payroll tax burdens on working families with incomes at the poverty line to about the same levels as in the late 1970s. Tax burdens on these families had risen sharply in the first half of the 1980s.

Budget Reductions Linked to Black Poverty Increase

Census Bureau data show that poverty has risen significantly among black families with children in the 1980s, and that government benefit programs now lift a substantially smaller proportion of these families out of poverty than they did in 1979. These data show that *38 percent of the increase in poverty since 1979 among black families with children would not have occurred if government programs had as much impact in removing families from poverty today as they did in 1979* (see Appendix).

- Since 1979, the number of poor black families with children has grown by 376,000, from 1.44 million in 1979 to 1.82 million in 1987. This represents an increase of 26 percent.

- The Census data show that if benefit programs providing cash assistance had continued to lift out of poverty the same proportion of black families with children as in 1979, some 143,000 fewer such families would have been poor in 1987. (See Figure 10.)

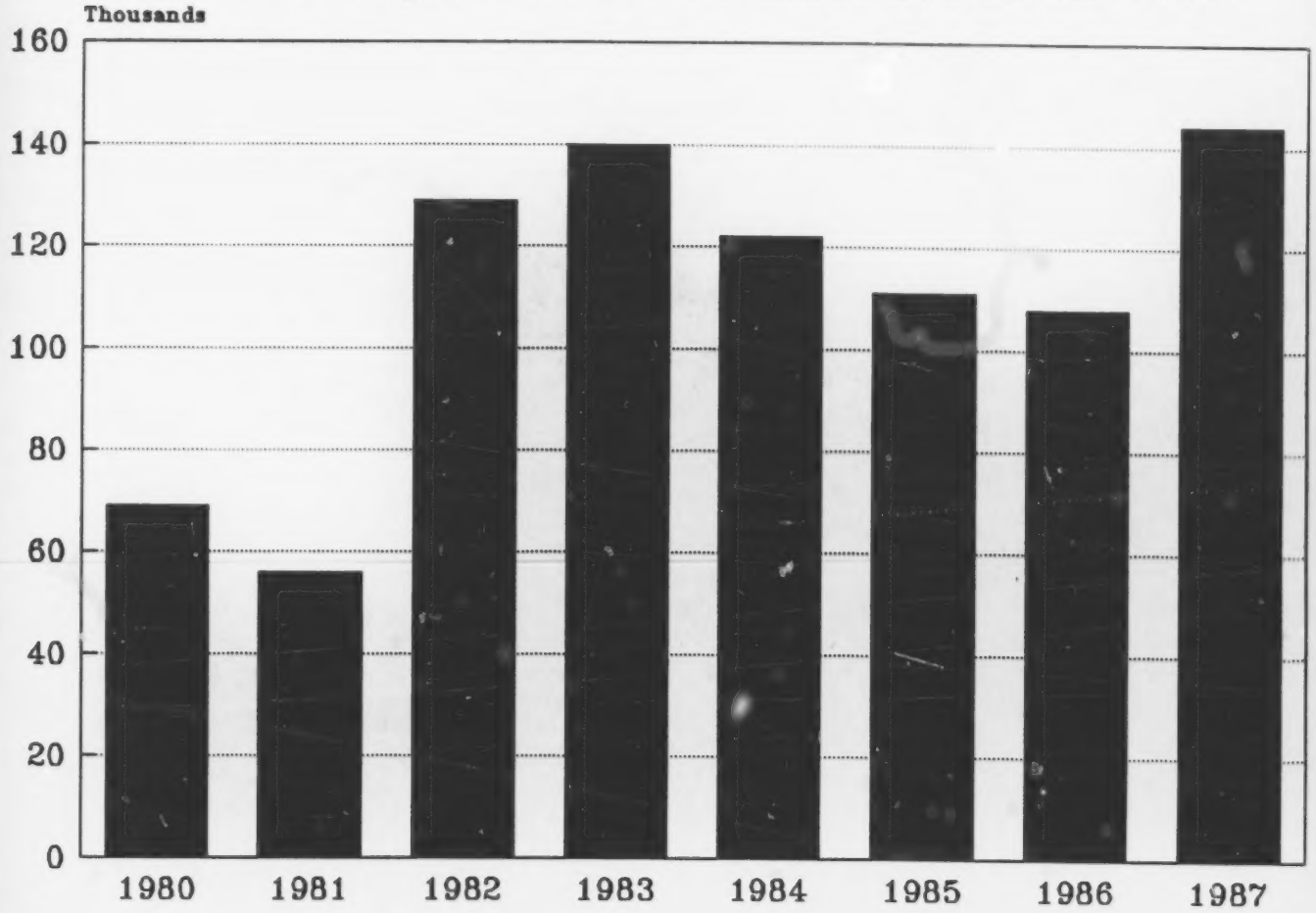
- In 1979, one of every six black families with children who would otherwise have been poor (16 percent of these families) was lifted out of poverty by cash benefits such as Social Security, unemployment insurance and public assistance. In 1987, however, only one of every 12 such families (8.8 percent) was lifted from poverty by these programs. (See Figure 11.)

- Most of the reduction in the anti-poverty impact of the programs on black families occurred either from 1979 to 1980 -- when inflation substantially outdistanced benefits -- or from 1981 to 1983, following the first two rounds of administration budget cuts, when programs for low income families were subject to a disproportionate share of the cuts (and when unemployment insurance coverage and Social Security benefits for several categories of families with children were also reduced).

Several additional factors also appear to have contributed to the lessened anti-poverty impact of the programs. There appears to have been an underlying trend in the economy that has resulted in the non-benefit incomes of many poor black families falling farther below the poverty line, probably as a result of such factors as longer average spells of unemployment and declines in real wages (real wages were lower in 1987 than in any year in the 1970s). The minimum wage has remained at $3.35 per hour since 1981, a period in which consumer prices have risen 37 percent. It appears that for some black families, their non-benefit income may have declined to the point where, after being supplemented by government benefits, it no longer brings them to the poverty line.

In addition, increases in the number of poor single-parent black families with children appears to be a factor. Single-parent black families with children typically have lower incomes than other poor black families with children. Even though they are more likely than other poor black families to receive government benefits, their incomes are often so low that even after receiving benefits, they still fall below the poverty line.

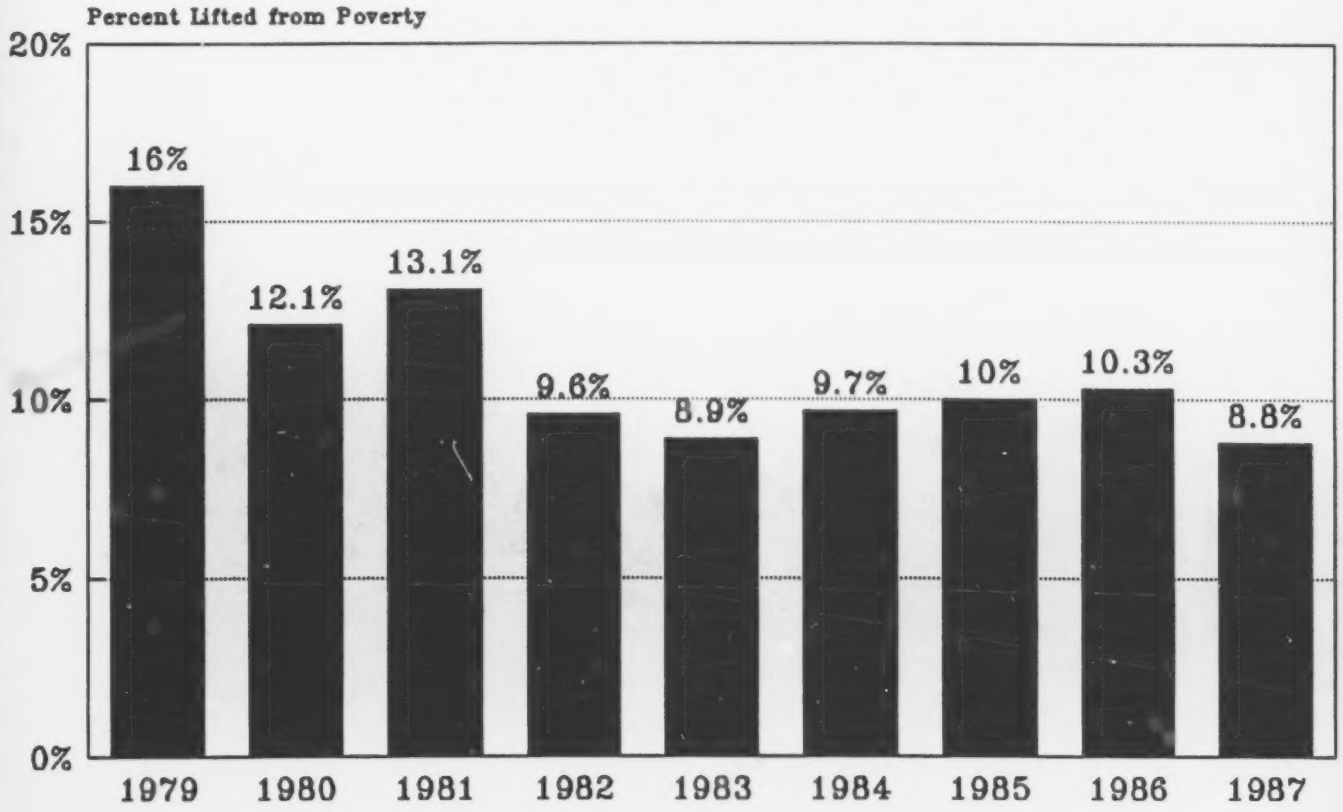
Figure 10
Black Families Who Would Not Be Poor
If Cash Programs Were As Effective As In 1979



Source: Bureau of the Census

Figure 11

Poor Black Families With Children Lifted from Poverty by Cash Programs



Source: Bureau of the Census

APPENDIX

DECLINING IMPACT OF GOVERNMENT BENEFIT PROGRAMS IN REMOVING BLACK FAMILIES FROM POVERTY

Overview

Census data on income and poverty in 1987, released on August 31, 1988, show that government benefit programs now lift a smaller proportion of black families with children out of poverty than they did in 1979, the first year for which these data are available.

Thirty-eight percent of the increase in poverty among black families with children since 1979 would not have occurred if government programs had as much impact today in removing black families from poverty as they did in 1979. Since 1979, the number of poor black families with children has grown by 376,000, from 1.44 million poor families in 1979 to 1.82 million poor families in 1987. This is an increase of 26 percent in the number of poor black families with children.

If benefit programs providing cash assistance had continued to lift out of poverty the same proportion of black families with children as in 1979, some 143,000 fewer such black families would have been poor in 1987.

In 1979, nearly one of every six black families with children who otherwise would have been poor (16 percent of these families) was lifted out of poverty by cash benefits such as Social Security, unemployment insurance, or public assistance. In 1987, however, only about one of every 12 black families with children (8.8 percent) was lifted out of poverty by such programs.

A number of factors appear to account for the lessened impact of the programs in lifting black families with children out of poverty, including reductions in benefit programs at both the federal and state levels, changes in the economy that may have reduced the earnings of some poor black families, and changes in the composition of the poverty population. Reductions in benefit programs appears to be the most important factor.

During this period, states failed to keep benefits up with inflation, especially in the Aid to Families with Dependent Children (AFDC) program, the nation's principal public assistance program for poor families with children. AFDC benefits for a family of four with no other income fell 21 percent in the typical state from 1979 to 1987, after adjusting for inflation.

Budget reductions made at the federal level in the early 1980s, and in some cases at the state level as well, also appear to have had a major impact. For example, AFDC benefits for low income working mothers and their children were sharply reduced by the 1981 federal budget cuts.

In addition, the unemployment insurance program has been subject to major cuts both at the federal level and in a number of states. The percentage of unemployed people receiving benefits hit the lowest level ever recorded in 1987. Only

31.5 percent of the unemployed received unemployment benefits in an average month in 1987.

Most of the reduction in the anti-poverty impact of the programs on black families occurred either from 1979 to 1980 -- when inflation substantially eroded benefits -- or from 1981 to 1983, following the first two rounds of Reagan Administration budget cuts. Programs for low income families were subject to a disproportionately large share of the 1981-83 cuts, and unemployment insurance coverage and Social Security benefits for several categories of families with children also were reduced in this time period.

Black Female-Headed Families

Black female-headed families with children experienced greater increases in poverty from 1979 to 1987, and were affected more by the cuts in benefit programs, than were black two-parent families. While the total number of poor black families with children rose 376,000 from 1979 to 1987, the number of poor black female-headed families rose 322,000, accounting for a large majority of the overall increase.

In addition, the bulk of the increase in black family poverty associated with the reductions in the benefit programs appears to have occurred among female-headed families. The proportion of poor black female-headed families with children lifted from poverty by the programs was cut in half between 1979 and 1987. In 1979, some 14.7 percent -- or more than one in seven -- black female-headed families with children who were poor without government benefits were lifted out of poverty by these benefits. In 1987, only 7.3 percent of these families -- only about one in 14 -- was lifted out of poverty by the benefit programs.

Some 36 percent of the increase since 1979 in the number of poor black female-headed families with children would not have occurred if government benefits had continued to lift out of poverty the same proportion of these families as in 1979.

While the increases in poverty since 1979 among black female-headed families with children far outdistance the increases in poverty among black two-parent families, these increases are smaller than the increases in poverty among white female-headed families during this period. The number of poor black female-headed families with children climbed 28.4 percent from 1979 to 1987, while the number of poor white female-headed families with children jumped 43.9 percent. The poverty rate for white female-headed families rose much faster than the poverty rate for black female-headed families during this period. However, the poverty rate for black female-headed families with children, which was 59.5 percent in 1987, remains far above the rate for white female-headed families, which was 38.7 percent in 1987.

Detailed Discussion of Findings

The census data show that in 1979 some 1.72 million black families with children had incomes below the poverty line before government benefits are counted. The data further show that cash benefits from programs such as Social Security,

unemployment insurance, and public assistance lifted 274,000 black families with children out of poverty -- or 16 percent of the black families with children that otherwise would have been poor.

By 1987, the number of black families with children that had incomes (before cash benefits) below the poverty line had risen to 1.99 million. Yet while the number of black families with below-poverty level incomes was rising, the number of these families lifted out of poverty by government benefit programs was falling. Only 175,000 black families, or 8.8 percent of the black families who otherwise would have been poor, were removed from poverty by the programs in 1987.

In short, the anti-poverty impact of cash benefit programs diminished while poverty became more severe. If these programs had the same anti-poverty impact in 1987 as in 1979 -- and if they continued to remove 16 percent of black families with children from poverty -- *then 143,000 fewer black families with children would have been poor in 1987.*

The data also indicate that if government benefit programs had the same anti-poverty impact in 1987 as in 1979, a substantial portion of the increase in poverty among black families with children since 1979 would not have occurred. There were 376,000 more black families with children living in poverty (after all cash benefits are counted) in 1987 than in 1979. The decline in the anti-poverty effectiveness of the cash benefit programs since 1979 accounts for 143,000 more black families living in poverty -- or 38 percent of the total increase in poverty among black families with children during this period.

Black Female-Headed Families Especially Hard Hit

Of particular concern is the declining effectiveness of cash benefit programs in lifting black female-headed families with children out of poverty. In 1987, these families made up 80 percent of all black families with children living below the poverty line. From 1979 to 1987, the bulk of the increase in poverty among black families with children occurred among female-headed families. Black female-headed families account for 322,000 of the 376,000 increase in the number of poor black families with children between 1979 and 1987.

The anti-poverty impact of cash benefit programs declined substantially for female-headed black families with children. In 1979, cash benefit programs lifted out of poverty 14.7 percent of black female-headed families with children who otherwise would have been poor. By 1987, only 7.3 percent of black female-headed families with children who otherwise would have been poor were being lifted from poverty by these programs, a decline of more than 50 percent.

Some 36 percent of the increase in poverty since 1979 among black female-headed families with children would not have occurred if the programs had as large an anti-poverty impact in 1987 as in 1979.

The growth in poverty since 1979 among female-headed families with children is even more pronounced among white female-headed families than among black female-

headed families. From 1979 to 1987, the number of poor white female-headed families with children grew by 44 percent to more than 1.74 million. The poverty rate for white female-headed families with children rose from 31.3 percent in 1979 to 38.7 percent in 1987.

Poverty growth among black female-headed families with children was less dramatic. Between 1979 and 1987, the number of poor black female-headed families with children grew by 28.4 percent, to 1.45 million. The poverty rate for black female-headed families with children, while much higher than the poverty rate for white female-headed families with children, grew more slowly, from 54.7 percent in 1979 to 59.5 percent in 1987.

Factors Underlying the Declining Anti-Poverty Impact of Government Benefit Programs

An examination of year-to-year changes in the anti-poverty impact of government benefit programs provides a good indication of several factors that have contributed to the programs' declining effectiveness: specifically, the failure of states to increase benefits to keep up with inflation and the federal budget reductions of the early 1980s.

From 1979 to 1987, benefit levels set by states in the Aid to Dependent Children program lagged well behind inflation. Congressional Research Service data show that AFDC benefits for a family of four with no other income fell 21 percent during this period in the typical (or median) state, after adjustment for inflation. The greatest benefit lags appear to have occurred during the period of highest inflation in 1979 and 1980. Not surprisingly, the data show that one of the two largest year-to-year drops in the anti-poverty effectiveness of the programs on black families came between 1979 and 1980.

The other largest year-to-year drop came between 1981 and 1982, precisely the period when the large federal budget cuts enacted in 1981 took effect. Significant reductions in the anti-poverty effectiveness of the benefit programs are reflected in the 1981-to-1982 period.

From 1982 to 1983, there was an additional reduction in the anti-poverty impact both of cash benefit programs other than Social Security and of food and housing benefits. During this period, additional reductions were made in AFDC, food stamps, and unemployment insurance programs, among others.

Since 1983, few if any further reductions have been made at the federal level in low income benefit programs, and modest restorations have been made in several of the programs such as AFDC. In addition, AFDC benefits rose in real dollars -- that is, after being adjusted for inflation -- for the first time in a decade in 1985 and 1986. The data show a slight increase in the anti-poverty effectiveness of the programs from 1983 to 1986, with the level of anti-poverty effectiveness in 1986 slightly above the 1982 level.

However, the anti-poverty effectiveness of the benefit programs fell again in 1987. State AFDC benefit levels declined once again in 1987, after adjustment for inflation.

Also from 1979 to 1987, the percentage of the unemployed receiving unemployment insurance fell from 42 to 31.5 percent, the lowest percentage on record.

Several additional factors appear to have contributed to the lessened anti-poverty impact of the programs. An underlying trend in the economy seems to have caused the non-benefit incomes of many poor black families to fall further below the poverty line, probably as a result of such factors as longer average spells of unemployment and declines in real wages (real wages were lower in 1987 than in any year in the 1970s). The minimum wage has remained at $3.35 per hour since 1981, a period in which consumer prices have risen 37 percent. It appears that for some black families, non-benefit income may have declined to the point where, after being supplemented by government benefits, it no longer brings them to the poverty line.

In addition, increases in the number of poor single-parent black families with children appear to be a factor. Single-parent black families with children typically have lower incomes than other poor black families with children. Even though they are more likely than other poor black families to receive government benefits, their incomes are often so low that even after receiving benefits, they still fall below the poverty line.

Poverty and Non-Cash Government Benefit Programs

The data discussed so far cover cash benefits only; the official definition of poverty is based on cash benefits. If a broader definition of poverty is used that includes non-cash benefits, the results are even more striking.

The Census Bureau uses two approaches to measuring poverty when non-cash benefits are counted -- the "recipient value" method and the "market value" method. The recipient value concept reflects the cash value that a recipient would place on the receipt of a non-cash benefit. The market value concept assigns values according to what it would cost to buy the benefit (as goods or services) in the private marketplace. For example, medical benefits under the market value concept are assigned the cost of buying comparable private insurance policies. Both the recipient value and the market value methods are experimental and have been subject to criticism. The Census Bureau is likely to revise both methods in the future.

Under the recipient value method of measuring non-cash benefits, 40.3 percent of black families with children that otherwise would have been poor were removed from poverty by cash and non-cash benefits, including food, housing, and medical benefits in 1979 (see Table 2). In 1987, however, only 25.6 percent of such families were removed from poverty by these programs. If the programs had removed the same percentage of otherwise poor black families from poverty in 1987 as in 1979, some 293,000 fewer black families with children would have been poor last year.

The declining effectiveness of government programs is particularly pronounced for black female-headed families with children. If all cash and non-cash benefits lifted

the same percentage of black female-headed families with children out of poverty in 1987 as in 1979, some 256,000 fewer such families would have been poor last year.

Under the market value approach, the percentage of black families with children that are removed from poverty by government benefits programs was 56.9 percent in 1979, but only 47.6 percent in 1987. Under this method of measuring poverty, the number of black families with children living in poverty was 184,000 greater in 1987 than it would have been if the programs had the same impact as in 1979.

The data also provide an indication of why the declines in the anti-poverty effectiveness of the programs are greater when non-cash benefits are counted. First, non-cash benefit programs were themselves subject to budget reductions, along with most of the cash benefits programs. Second, the shrinkage of both cash and non-cash benefits meant that black families who had been lifted above poverty by a combination of cash and non-cash benefits were now significantly less likely to be boosted over the poverty line by the combined benefit package.

Methodology

Census data published for each year since 1979 indicate how many black families would be below the poverty line if they did not receive various types of government benefits. The Census tables contain:

- the number of black families for each year whose cash income, without any government benefits, is below the poverty line;
- the number of black families whose income from non-government sources and from Social Security, but without any other government benefits, falls below the poverty line;
- the number of black families whose total cash income, including all government cash benefits, is below the poverty line (this is the Census Bureau's "official" definition of poverty);
- the number of black families whose income falls below the poverty line if all cash income, including government cash benefits, is counted and if the value of food and housing benefits is also counted; and
- the number of black families whose income falls below the poverty line if all cash benefits as well as food, housing, and medical benefits are counted as income.

From these data, an analysis can be conducted of the anti-poverty effectiveness of various benefit programs and how the effectiveness of the programs has changed since 1979. For example, the effect of Social Security benefits on poverty can be seen by comparing the number of black families who would be below the poverty line if they did not receive Social Security with the number who are poor after Social Security benefits are received. The difference between these two numbers represents

the *number* of black families lifted out of poverty by Social Security. Similarly, the *percentage* of black families who would have been poor without Social Security, but who are lifted out of poverty by Social Security, can also be computed.

All data used in the analysis are from the Census Bureau's non-cash benefit reports for the years from 1979 through 1985 and for 1987 and from unpublished Census tables for 1986.* These data are presented in tables at the back of this appendix.

Poverty under five different income concepts is shown in these tables. "Number of Poor Black Families with Children Before Transfers" represents the number of black families with children whose total cash income, except for government benefits, falls below the poverty line. "Number of Poor Black Families After Social Security" represents the number of black families with children whose total cash income from non-government sources, plus their Social Security income, leaves them below the poverty line. The next entry on the table, "Number of Poor Black Families with Children After All Cash Transfers," shows the number who are poor after all cash benefits (such as Social Security, AFDC, SSI, and unemployment insurance) are counted. This is identical to the official Census definition of poverty. The fourth entry, "Number of Poor Black Families with Children After All Cash Transfers and Food and Housing Benefits," shows the number of poor black families with children after all government cash benefits and government food and housing benefits such as food stamps, school lunches and subsidized housing programs are counted. The final entry shows the number of black families who are poor if all cash and non-cash benefits, including medical benefits, are valued and counted as income.**

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*Census Bureau, *Estimates of Poverty Including the Value of Noncash Benefits*, various years.

**In examining increases in poverty associated with the lessened anti-poverty impact of government benefit programs, this analysis assumes there would not have been significant behavioral changes by poor families (for example, that there would not have been significant reductions in hours worked) if the benefit programs had retained an anti-poverty impact comparable to what they had in 1979. While some reduction in work hours might have occurred if benefits had been at higher levels, research on the impact of benefits on labor supply indicates this effect would have been small and would not have resulted in large differences from the numbers presented here.

TABLE 1

ANTIPOVERTY EFECTIVENESS OF CASH AND NONCASH TRANSFERS
FOR ALL BLACK FAMILIES WITH RELATED CHILDREN UNDER 18
1979 TO 1987

	1979	1980	1981	1982	1983	1984	1985	1986	1987
NUMBER OF POOR FAMILIES (000'S)									
Before transfers...	1,715	1,803	1,900	2,012	1,967	1,946	1,856	1,894	1,992
After Social Security...	1,603	1,700	1,794	1,926	1,875	1,874	1,764	1,782	1,897
After all cash transfers...	1,441	1,584	1,652	1,819	1,792	1,757	1,670	1,699	1,817
After all cash transfers and food and housing benefits... 1/	1,112	1,276	1,444	1,599	1,585	1,558	1,512	1,537	1,631
After all cash and all noncash transfers...1/	1,024	1,207	1,388	1,515	1,511	1,494	1,441	1,450	1,482
NUMBER OF FAMILIES (000'S) REMOVED FROM POVERTY DUE TO:									
Social Security...	112	103	106	86	92	72	92	112	95
Percent...	6.5%	5.7%	5.6%	4.3%	4.7%	3.7%	5.0%	5.9%	4.8%
All cash transfers other than Social Security 2/	162	116	142	107	83	117	94	83	80
Percent...	10.1%	6.8%	7.9%	5.6%	4.4%	6.2%	5.3%	4.7%	4.2%
All cash transfers...	274	219	248	193	175	189	186	195	175
Percent...	16.0%	12.1%	13.1%	9.6%	8.9%	9.7%	10.0%	10.3%	8.8%
Cash and Food and housing benefits...	603	527	456	413	382	388	344	357	361
Percent...	35.2%	29.2%	24.0%	20.5%	19.4%	19.9%	18.5%	18.8%	18.1%
All cash and and all noncash transfers...1/	691	596	512	497	456	452	415	444	510
Percent...	40.3%	33.1%	26.9%	24.7%	23.2%	23.2%	22.4%	23.4%	25.6%

TABLE 1

Notes

1/ All food, housing, and medical benefits valued under Census' "recipient value" method.

2/ These figures reflect the number and percentage of families with children who were poor after all non-benefit income (i.e., income from sources other than government benefits) plus any Social Security income is counted, but who are lifted out of poverty when other cash benefits (i.e., cash benefits other than Social Security) are taken into account. For example, in 1986, 1.78 million black families with children were poor after Social Security benefits were accounted for. Of these 1.78 million families, 83,000 (or 4.7%) were lifted above the poverty line by other cash benefit programs.

Source: Bureau of the Census, Technical Papers 51, 52, 55, 57; Tables 2 & 4. Unpublished Census Data.

TABLE 2

ANTIPOVERTY EFECTIVENESS OF CASH AND NONCASH TRANSFERS
FOR BLACK FEMALE FAMILIES WITH RELATED CHILDREN UNDER 18
1979 TO 1987

	1979	1980	1981	1982	1983	1984	1985	1986	1987
NUMBER OF POOR FAMILIES (000'S)									
Before transfers...	1,324	1,366	1,415	1,510	1,484	1,490	1,448	1,492	1,566
After Social Security...	1,265	1,298	1,362	1,471	1,430	1,460	1,405	1,445	1,511
After all cash transfers...	1,129	1,217	1,261	1,401	1,367	1,364	1,336	1,384	1,451
After all cash transfers and food and housing benefits... 1/	852	989	1,110	1,226	1,213	1,212	1,210	1,252	1,308
After all cash and all noncash transfers...1/	784	935	1,069	1,161	1,153	1,157	1,151	1,178	1,183
NUMBER OF FAMILIES (000'S) REMOVED FROM POVERTY DUE TO:									
Social Security...	59	68	53	39	54	30	43	47	55
Percent...	4.5%	5.0%	3.7%	2.6%	3.6%	2.0%	3.0%	3.2%	3.5%
All cash transfers other than Social Security...	136	81	101	70	63	96	69	61	60
Percent	10.8%	6.2%	7.4%	4.8%	4.4%	6.6%	4.9%	4.2%	4.0%
All cash transfers...	195	149	154	109	117	126	112	108	115
Percent...	14.7%	10.9%	10.9%	7.2%	7.9%	8.5%	7.7%	7.2%	7.3%
All cash transfers and food and housing benefits...1/	472	377	305	284	271	278	238	240	258
Percent...	35.6%	27.6%	21.6%	18.8%	18.3%	18.7%	16.4%	16.1%	16.5%
All cash and and noncash transfers...1/	540	431	346	349	331	333	297	314	383
Percent...	40.8%	31.6%	24.5%	23.1%	22.3%	22.3%	20.5%	21.0%	24.5%

1/ Food, housing and medical benefits valued under Census Bureau's recipient value m

Source: Bureau of the Census, Technical Papers 51, 52, 55, 57; Tables 2 & 4.